



Chernobyl The nightmare continues



Democracy looks for local roots



World trade

force the pace

Italy's air

controllers

agree to

traffic

World Business Newspaper

change its stance over IRA weapons

The UK government signalled yesterday that it might be prepared to drop its insistence on the IRA making an initial gesture on handing in its military arsenal before its political wing Sinn Fein is allowed to enter all-party talks. The UK's Northern ireland spokesman Sir Patrick Mayhew hinted at the concession after talks with Irish foreign minis. the concession after talks with Irish foreign minister Dick Spring. Page 9

GrandMet selects new executive team:



International food and drinks group Grand Metropolitan chose its chief executive George Bull (left) to succeed Lord Sheppard as chairman when he retires in March. John McGrath. head of GrandMet's drinks arm IDV, will become group chief executive. For the third time in nine years, a disap-

pointed candidate in the succession battle, David Nash, swiftly said he was quitting. Page 15; Lex,

China accuses US of blocking WTO entry: China accused the US of obstructing its application to join the World Trade Organisation. US commerce secretary Ron Brown, who is visiting China, repeated the US stand that China must enter on commercially acceptable terms. Page 14

Madrid braced for budget defeat: Spain's minority Socialist government is braced for the humiliation of losing the vote on its 1996 budget next week. Page 3

Clinton plea over US troops for Bosnia: The Clinton administration began a drive to persuade Congress not to block the deployment of more than 20,000 US troops as part of Nato's planned peace enforcement presence in Bosnia, Page 6

Emergency bank cash agreed for Japan: The US Federal Reserve has made arrangements to provide emergency liquidity to Japanese banks operating in the US in case problems with Japan's banking system lead to a cash crisis. Page 14

Nigeria's top civil servant dismissed: Nigeria's most senior civil servant Aminu Saleh, widely believed to have opposed efforts to renew economic policy agreements with the World Bank and IMF, has been dismissed. No reason was given for the move. Page 4; Observer, Page 13

French win bid for Australian group: An Australian public service contract has been awarded to a consortium including a French company for the first time since France resumed nuclear testing in the south Pacific amid protests and boycott calls in the region. Page 4

Arco drops bid for Aran Energy: US oil group Atlantic Richfield abandoned its hostile takeover bid for Aran Energy after Norwegian state oil com-pany, Statoil, offered £203m (\$321m) for the Irish exploration and production business. Page 15

New products boost US drugs groups: US pharmaceuticals groups were boosted by growth from promising new drugs as they announced thirdquarter results. Page 16; Lex. Page 14

Germany unveils job creation plan: Germany's ruling Christian Democratic party promised to limit welfare spending, foster technological innovation and shake up the country's education system to create jobs. Page 2

PepsiCo, the US food and soft drinks group. reported net income up 14 per cent in the third quarter as it posted profits of \$616.8m compared with \$541.4m last year. Page 16

US seals Palestinian free trade deal: The US said it bad finalised a free trade deal with the Palestinian authorities which would allow exports from the West Bank and Gaza duty-free access to US markets. Page 4

Ford, the US carmaker, confirmed it would invest £340m (\$537m) and create 480 jobs in building a new engine at its Bridgend plant in Wales. Page 9

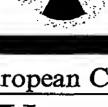
iraq pledges more political change: The iraqi government promised more political change, with parliamentary elections due by February and possibly a presidential election with more than one candidate. Page 2

Woman sets age record: Frenchwoman Jeanne Calment yesterday became the oldest living person in the world whose date of birth can be authenticated. Mrs Calmeot, who mat the painter Vincent van Gogh when she was 14, is 120 years and 238

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WEDNESDAY OCTOBER 18 1995

South Africa

Asean countries

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UK signals it may | European Court ruling raises doubts over affirmative action programmes

omen job quotas 'unlawful'

By Robert Rice and Kevin Brown in London and Judy Dempsey in

The use of employment quotas to promote women in the workplace was yesterday declared unlawful by the European Court of Justice. In a landmark decision which raises doubts about some affirmative action programmes in the European Union, the Luxembourg court said a German state law designed to give priority to women applicants for public sector jobs violated the 1976 Equal

Treatment Directive. The European Commission was dismayed by the decision and said that Mr Padraig Flynn, the EU employment commissioner. would be looking at ways to minimise Its impact. The Commisaion may seek a change in EU employment law to allow explicitly for positive discrimination.

In Germany, politicians reacted angrily, calling on their govern-ment to raise the issue at next year's intergovernmental conference. The ruling arose from a law in Bremen, one of several Ger-man states, mostly governed by the Social Democrats, which have introduced positive discrimination legislation in recent

Ms Christine Wischer, Bremen's senator for women, warned that the ruling would call into question German acceptance of European institutions. But Ms Claudia Nolte, the German minission did not mean an end to supporting women's advancement. The case was brought by a gar-dener in the Bremen parks

department who claimed a female colleague had been promoted in his place because of a quota law which guarantees women at least 50 per cent of public sector jobs. The German courts dismissed his claim, but referred onwards the question of the law's compatibility with the

1976 directive to Luxembourg. The directive which prohibits aex discrimination in employment makes an exception for measures which promote equality of opportunity by removing existing discriminatory barriers. But the European Court said by guaranteeing women "absolute

and unconditional priority for appointment or promotion", the Bremen law overstepped the limits of the exception.

The decision could have a wide ranging impact. According to the Geneva-based International Labour Organisation, most EU member states have affirmative action programmes in place. Italy, for example, has more than 50 programmes in the corporate sector and the Netherlands has several programmes for women

in government service. But the ILO urged governments not to overreact to the ruling. "It doesn't say affirmative action programmes per se are illegal, just that this law goes too

far," it said. In Britain, the ruling was welties Commission and the Confederation of British Industry as being In line with UK legislation. "The EOC is totally opposed to positive discrimination. It means appointing women or meo because of their sex rather than

on merit," it said. There was also an attempt by the Conservatives to make political capital out of the decision. Mr Brian Mawhinney, Conservative party chairman, claimed the ruling would force Labour to drop its system of all-women shortlists for some parliamentary seats, designed to increase the number of women MPs. Labour said the judgment did not apply because candidates for parliament were

end strike Air travel over Italy is expected

> an agreement yesterday betweeo the government and unions to end six weeks of industrial action by 1,300 air traffic controllers. A work to rule and a ban on overtime by the controllers in support of a pay and conditions claim has wrought havoc, with flights being delayed by anything from 30 minutes to five hours. Alitalia, Italy's state airline, has suffered a number of cancella-

slowly to return to normal after

The agreement came as a pact was announced to end another transport strike - by the hauliers who carry Fiat cars. Since last Friday, Fiat had been obliged to lay off temporarily more than a quarter of its motor vehicle workforce to halt the accumulation of stocks because of the strike.

The agreement with the air traffic controllers followed mounting public protest over travel delays and concern by Alitalia and foreign carriers over growing losses.

Details of the deal bave yet to be hammered out, but considerable concessions appear to have been made to the controllers. Even so, there is still a risk of wildcat action by some union members who are unhappy about the settlemeot.

In return for a no-strike cooling off period lasting through next June, the government bas undertaken to restructure air traffic control and meet in good mea-sure the unions' pay and working conditions demands. The government bas agreed to set up a L10bn (\$6.24m) fund to cover overtime and productivity payments covering 1994-95. The deal appears to avoid breaching the government's guidelines for public sector pay and means real increases in excess of 6 per cent.

The protest began because the government refused to approve a deal reached in July between transport ministry negotiators and the unions which allowed air traffic controllers to incorporate significant overtime payments they were receiving because of staff shortages.

Continued oo Page 14

Former Barings chief accused of a cover-up

By John Gapper in London and Nicholas Denton in Singapore

Mr Peter Norris, former head of investment banking at Barings, the UK merchant bank, was yesterday accused of trying to cover up evidence of Mr Nick Leeson's fraudulent trading before the bank collapsed in February under £830m (\$1.3bn) losses.

Mr Norris and Mr James Bax, the bank's former manager for south Asia, were singled out for severe criticism in a report on the collapse prepared by inspectors from the UK accountancy firm Price Waterhouse for the

Singapore ministry of finance. The report goes beyond the Bank of England's inquiry into the collapse in July, which found that executives should have uncovered Mr Leeson's hidden trading in Singapore, but did not suggest that any of them were involved in a cover-up attempt. The finance ministry said it bad instructed its commercial affairs department to study the

findings. Mr Norris, who resigned from Barings along with 20 other for-mer executives earlier this year, said the report was an "implausible and misconceived" version of events leading to the collapse, which had "no basis in fact". The publication of the 200-page

Singapore report follows a decision by German courts to allow Mr Leeson's extradition to Singapore on charges relating to hid-

den derivatives trading in account 88888 which led to Barings' collapse. Mr Leeson, who is being held in prison near Frank-furt, has appealed to the German constitutional court. The UK Serious Fraud Office has quashed a private prosecution against him in the UK launched by Barings bondholders.

The Singapore finance ministry said it had accepted the inspec-tors' recommendation that Baring Futures (Singapore), Mr Lee-son's trading unit, which has been under the control of judicial managers, should be wound up.

Barings was acquired by the Dutch bank ING Group after the collapse. ING Barings said it welcomed the publication of the report, would be studying it carefully and supported the winding-up of Baring Futures. The inspectors' description of

the use of account 88888 after it was opened by Mr Leeson in July 1992 broadly supports the version of events given by Mr Leeson in an interview, in which he claimed to have used it to conceal trading errors.

The inspectors say that senior executives were "grossly negli-gent, or wilfully blind and reckless to the truth" in not discovering the existence of account

They suggest that Mr Norris

Continued on Page 14 Details, Page 8 hit the French c Editorial Comment, Page 13 summer Page 3



Twenty nine people were injured, five seriously, yesterday In a bomb blast on the Paris subway. It is the latest of a series of suspected terrorist hombings to hit the French capital since the

IBM reports \$528m loss after charges from Lotus purchase

in San Francisco

International Business Machines yesterday reported slightly lower than expected operating earnings for the three months to the end of September and a net loss after \$1.8bn of charges related to the acquisition of Lotus Development, the personal computer soft-

Earnings for the quarter were \$1.3bn or \$2.30 a share, excluding the charges. This compares with net earnings of \$710m or \$1.18 a share in the third quarter of last year. Including the Lotus charge, IBM posted a loss of \$528m or 96 cents a share. IBM'a operating earnings were

at the low end of Wall Street analysts' forecasts. The company's shares were trading at \$921/2 In mid-session yesterday, down from Monday's close of \$94. IBM said it would take a \$800m charge in the fourth quarter as it continued to consolidate. There

would also be "limited" additional job cuts.

Lotus, and IBM will continue to write off good will and other factors at a rate of about \$100m, or 13 cents a share, each quarter.

Revenues reached a record of \$16.8bn for the quarter, 9 per cent up on the \$15.4bn in the same period last year. Currency trans-lations accounted for about 3 percentage points of the increase and Lotus revenues for an additional 1 percentage point. However, revenues from com-

puter hardware sales were flat, at \$7.8bn. "Our hardware sales were disappointing," Mr Lou Gerstner, chairman and chief executive. said. He attributed the lack of growth to problems that IBM had already revealed: a shortage of power supplies for mainframe computers and delays In shipping new high capacity data storage products. These aetbacks were offset, however, by strong growth in services and sales of components and equipment to other computer companies.

Revenues increased in all parts of the world during the quarter. The third-quarter charge was Europe remained IBM's weakest

"Europe showed no recovery." Mr Richard Thoman, IBM's newly appointed chief financial officer, said. This was due to a combination of economic issues, pricing pressures and product supply problems.

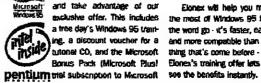
IBM'a gross profit margin, which is closely watched by ana-

lysts, was 41.3 per cent in the third quarter compared with 39.9 per cent a year ago. Profit mar-gins were down from 43.5 per cent in the second quarter, reflecting higher sales of lowmargin products such as personal computers and the increase in services revenues, which produce lower profit margins.

For the first nine months of the year, IBM earned \$2.47bn, or \$4.19 per share, including the Lotus charge. Without the charge, IBM would have earned \$4.31bn, or \$7.39 per share. In the same period last year net income was \$1.79bn, or \$2.96 per share. Yearto-date revenue was \$50bn, up 13 per cent from \$44.1bn.

Compaq results, Page 16

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LONDOM - LEEDS - PARIS - FRANKFURT - STOCKHOLM - NEW YORK - LOS ANGELES - TOKYO

Secret raid on Russian chocolate company

By John Thomhill in Moscow

An international consortium has mounted a secretive takeover hid for one of Russia's biggest confectionery companies, sparking a row over sharebolders' rights in the country's unruly capital markets.

A consortium of five companies headed by the powerful Inkombank and including N.M. Rothschild, the British merchant bank, claims to have gained majority control of the Babayev confectionery factory after quietly amassing more than 50 per

cent of its shares for \$13m. It acquired the shares by various routes and is now trying to assert

control of the company, though it has indicated a willingness to work with the current management.

Minority sharebulders, wblcb include Babayev's management and workers, have complained about the secretive way the consortium has tried to gain control of the company without paying a takeover pre-mium. Some fear that the new owners may ignore their interests, and that the shares would become difficult to sell.

Bnt Babayev's board bas pnblished an open letter asking the consortium to prove it owns as many shares as it claims, and calling on it to treat all shareholders equally by

The Moscow-based company has also called an extraordinary shareholders' meeting on November 18 amid allegations about underhand dealings and bugged offices.

They claim that the way the takeover has been mounted would not be allowed in most industrialised countries.

"This bid reveals all the more unseemly sides of Russia's markets." says one Moscow-based financier.

Little verifiable financial information is available about Babayev, but like several other companies in the

By John Barham in Istanbu Turkey's president Süleyman

Demirel yesterday asked care-taker prime minister Tansu

Ciller to form a new govern-

ment. The move came as Mrs

Ciller asked parliament to

approve December 24 as the

Mrs Çiller had earlier

obtained a presidential decree

demanding an immediate return to work by about 80,000

The workers are among

350,000 involved in strikes over

the past four weeks which have undermined Mrs Ciller's

The strikers are pursuing a

pay claim for a two-stage rise

of 35 per cent and 27 per cent

The government's back-to-

work order yesterday was

accompanied by an offer of a 50

per cent pay rise - but this

would only be implemented

position.

this year.

key public sector workers.

date for a general election.

buying out minority investors at a buoyant consumer products market, fair price. buoyant consumer products market, it appears to have made good progress since privatisation - with production in the first eight months of 1995 up 18 per cent on the same period last year, Stated profits have risen hy 3.3 times to Rhs83hn (\$18.13m) over the comparable

> The bid contrasts with the takeover offer by Menatep bank this year for a controlling stake in the Red October chocolate factory, one of Babayev's main rivals. Although the bid lapsed, the approach was praised for its transparency and even-handedness in offering all

Russta's equity market, formed only two years ago as a by-product of mass privatisation, has heen developing at break-neck speed, leaving the Federal Securities Commission, the regulator, struggling to draw up rules quickly enough to entrench concepts of shareholder rights and corporate

Concerns over these issues have deterred many foreign investors from entering the market.

Some of Russia's higgest compa nies are adopting high standards of corporate governance and opening themselves to scrutiny on their own initiative as they seek to raise kets. Mosenergo, the Moscow electricity generator which is among the most transparent enterprises. this week became the first Russian company to succeed in issuing American Depositary Receipts.

The bid for Babayev also illustrates how some leading Rossian banks are trying to expand their portfolloa of industrial assets through in-house corporate finance

departments. Some bankers draw early parallels with the powerful "universal banks" of Germany and Japan which embrace a wide range nf financial and industrial activities.

Ukraine feels | Ciller to form cabinet ahead of poll the first chill of fuel crisis

By Matthew Kaminski in Kiev

The Ukrainian government has warned that energy stocks are lower than ever ahead of winter, bringing increased risks of blackonts and a shortage of fuel for domestic

Ordinary Ukrainians are already feeling the chill. Heating for houses in towns, which comes from centrally controlled combined heat and power stations, is normally allowed from October 15. But Ukrainians have had to do without it so far this year and it will stay off until the temperature goes below 5°C for five consecutive days in a government effort to conserve

Officials are concerned that this winter may be the worst since Ukraine severed its ties three years ago with the Soviet Union - which supplied enough fuel for the country's needs. It has since had to buy supplies on the world market, usually from Russia and Turk-

Gas, oil and coal supplies are, according to an energy economist, "perilously low

compared even to last year". The second largest ex-Soviet republic is paying the price for buying oil and gas on the world market while keeping domestic tariffs low and running a poor collection rate. The country's four state-owned generation companies lack the capital to purchase additional fuel. Coal is the main domestic energy resource, and production has fallen from 131.9m

At the same time, the government's tight budget precludes giving credits to the generation companies or accepting Russian or Turkmen

Crude oil

Electricity

Natural ges

of its attempt to break out of the spiralling deht cycle of past years, Ukraine bas paid for \$2.35bn of the \$2.5hn worth of Russian gas for the current year. Arrears have been rescheduled.

The US last month promised \$100m in oil supplies. A \$350m World Bank loan, if approved,

also would pay for fuel. Ukraine has the tenth largest power generation capacity in the world, designed for a time when it was part of the Soviet industrial giant. It has 56m kilowatts capacity, including 15 nuclear reactors in opera-

The problem is, according to Mr Şerif Kaynar, Asea Brown Boveri's Kiev representative: They have huilt a system not planned for Ukraine separately." Many plants were inefficient and Ukraine relied too much on gas-generated steam

to heat homes. Mr Evhen Marchuk, Ukraine's prime minister, last week told parliament the country would raise the share of nuclear power from 33 per cent to 40 per cent next year to lower dependence on fossil

Ukraine also hopes to complete the construction of three unfinished reactors.

He has promised to force through "unpopular" price increases to make consumers pay the full cost of power, after four years of sobsidies: "It's better to pay more for heat and light than not to have them in the first place." Gas meters, approved by parliament in June, are set to be introduced in Ukrainian homes by next year. Fuel shortages have also prompted calls to diversify

Russia provides 15.7m tonnes the 15.9m tonnes of Ukraine's crude oil needs and gas without payment. As part the bulk of its gas.

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Ukraine net energy imports (exports) (\$m)

3,463.3

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:	Meanwhile, unions claimed	Turkish prime minister Tansu Ç	iller addressing ber True Path par	ty in Ankara yesterday
t	that 300,000 civil servants			
	beeded a call for a one-day	sional government to run the	the 450-member parliament	ferred with other par
-	walk-out yesterday in a sepa-	country until a general elec-	while the CHP has 60 deputies	could not come up v
)	rate dispute over the right to	tion takes place.	and the total seats of the two	alternative coalition.
ı	strike and collective bargain-	Details of the new coalition	parties would be enough to win	Meanwhile, the pr
	ing.	deal with the CHP were not	a vote of confidence.	approved a decree
	The action surprised union	available last night, hut the	The coalition between True	Ciller's cahinet bannin
Ė	and political leaders as Mrs	CHP was said to be pressing	Path and the CHP folded on	trial action in the por
	Ciller's centre-right True Path	for several important minis-	September 20 and Mrs Ciller's	ways and sugar indu-
F	party is relying on agreement	tries, notably the education	attempt to form a minority	the grounds that the st
	with the social democratic	and interior portfolios, as well	government collapsed on Sun-	"disrupting public bea
,	Republican People's party	as some concessions on human	day when she failed to win a	national security".
i	(CHP), which sympathises with	rights and political reform.	parliamentary vote of confi-	The other 270,000 str
•	the strikers, to form a provi-	True Path has 164 seats in	dence. President Demirel con-	sectors such as non-sus
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ferred with other parties but could not come up with an alternative coalition.

Meanwhile, the president approved a decree by Mrs Ciller's cahinet banning industrial action in the ports, railways and sugar industry, on the grounds that the strike was "disrupting public bealth and national security".

The other 270,000 strikers, in sectors such as non-sugar agriculture, oil, mining and for-estry, are not covered by the

Turkey's constitution allows the government to halt strike action for up to 60 days. "It's very undemocratic. The legal basis of a minority government which has just lost a vote of confidence doing this is also dehatable," said Mr Yildirim Koc, a senior official of the Turk-is trade union confedera-

He said before the pay offer was made that union leaders would meet, probably today, to decide whether to ahide by the

Tha political crisis erupted at a time when Mrs Ciller was trying to cure the country's financial ills and pushing for a customs union with the European Union at the end of the

Tha CHP is a strong snpporter of improvements in Turkey's democracy and the lifting of restrictions on freedom of expression in order to secure the customs deal.

Istanbul sbares ended slightly higher yesterday on perceptions of political stabil-ity returning, in spite of shed-ding some of the morning sesalons's gains in profit-taking. brokers said.

The IMKB-100 ended 0.55 per cent or 261.6 points higher at 47,557.65. The IMKB-100 had ended 0.76 per cent higher at 47,656.80 in the morning

Italy's justice minister set to lose vote

The future of the Italian government hangs on the ontcome of a motion of no confidence in the senate today brought by the centre-left parties against Mr Filippo Mancuso, the justice minister.
The centre-left, headed by the Party

of the Democratic Left (PDS), B clear majority in the senate and political observers forecast yesterday that the vote was almost certain to go against Mr Mancuso. The uncertainty centres on whether Mr Mancuso agrees to accept the vote or fight it in the courts.
Mr Mancnso, a former judge, has

indicated on several occasions be will not resign but will instead take the matter to the constitutional court. This will create an unprecedented constitutional situation at a time of growing political instability as the nine-monthold technocratic government of prime minister Lamberto Dini reaches the end of its limited mandate.

Any delay in resolving the issue will lead to questions about how long the government should be allowed to con-

tinue. The centre-left parties' dramatic initiative against the minister has removed any pretence that Mr Dini continues to preside over an aotonomous government of technocrats.

The PDS and its allies, who provide

law was observed, and in particular that the rights of the accused were properly safeguarded. He has focused attention on the activities of the Milan magistrates, the leading group attacking corruption, who have also brought

The Italian president can effectively sack the

minister but the legal situation is so new and unclear that it could take some time to resolve

Dini's government, have been pressing Silvio Berlnsconi, who is due to be for the removal of Mr Mancuso since before the summer.

They accuse bim of carrying out a vendetta against the main anti-corruption magistrates by initiating a series of inspections of their activities. The minister's actions, they claim, are undermining the operation of justice and prejudicing vital investigations. Mr Mancuso insisted very vocally he

was merely ensuring the dne process of

tried for alleged corruption in January. Mr Dini has songht to bead off the row by encouraging Mr Mancuso to tone down his behaviour or resign. However, an Italian prime minister

cannot force a minister to resign and Mr Mancuso has deliberately raised the level of the confrontation with the judiciary. He has openly attacked Mr Dini for being "supine" in failing to hack him against the attacks from the cen-

tre-left. Mr Mancuso has also done nothing to distance himself from the eulogies coming in his direction from the right-wing alliance headed by Mr

Originally both Mr Dini and the centre-left parties had hoped to postpone the issue until after the 1996 budget had been passed by parliament.

If the vote goes against Mr Mancuso and he does not resign immediately, the cabinet is expected to formally withdraw its confidence in him. This would then permit President Oscar Luigi Scalfaro to revoke his ministerial mandate. But the legal situation is so new and unclear that it could take time to resolve the matter.

Even with Mr Mancuso accepting defeat with good grace, Mr Dini would face serious problems of political balance in finding a replacement. He may seek a figure who appeals to the centre-right so as to broaden the base of his support, and so acquire greater authority to govern until the end of Italy's six-month EU presidency next June.

Brussels threatens aid cuts over Emu

The European Commission vesterday threatened to cut regional aid to countries running excessive budget deficits once the planned monetary union goes ahead in 1999.

Mr Yves-Thibault de Silguy, EU economic affairs commis sioner, floated the idea of tightening regional aid rules as part of a new carrot-and-stick policy to countries seeking to join the single currency.

His speech to MEPs in Brussels came in response to German-led appeals for a "gentle-man's agreement" to enforce curbs on budget deficits binding on future governments participating in Emu.

The Commission is also examining proposals to restrict state aid and other EU funds to countries which do not pursue responsible economic policies. according to Brussels officials.

The German campaign marks an effort to fill in the gaps in the Maastricht treaty on Emu. Recognition is grow-ing that the treaty is tilted toward nominal - rather than sustained - economic convergence among Emu aspirants.

Commission officials stressed yesterday that Mr de Silguy was seeking to stimulate debate in response to concern at last month's meeting of EU finance ministers and central bank governors. The idea was to take measures which would not require treaty changes.

It remains unclear whether weaker economies which fail to meet the criteria for monetary union would also face restrictions on regional aid. Such a move would challenge the 1980s conventional wisdom that regional aid helps weaker economies to "converge" with

their stronger counterparts. Last July, Greece, Portugal and Spain were put on notice that they risked losing access to the cohesion fund, the fiveyear Ecu15.5bn (\$20bn) programme set up in 1992 to help the four poorest countries

(incinding Ireland).

Though mainly intended to fund infrastructure projects, the aid was also viewed as a pay-back for the poor countries' agreement to support the single market and Emu.

Tom Burns in Madrid adds: Mr Pedro Solbes, Spain's economy minister, yesterday issued a veiled challenge to Mr Theo Waigel's view that economic and monetary union can only go ahead on German terms by applying strict economic crite-

Arguing that political considerations were at least as important, Mr Solbes said, "We are not going to arrive at Emu solely by putting ticks and crosses against who has met the convergence rules."

He said he "perfectly" understood the German finance minister's insistence on strict convergence rules, but distanced himself from any attempt to create a monetary union based solely on the D-Mark's zone of influence. "It would be very difficult to understand a single currency without France," he

'Poverty fatigue' stalks Czech politics

Klaus's government may yet find its support waning as election campaign begins, writes Vincent Boland

ew democratically alected leaders dominate their country's politics as totally as Mr Vaclav Klaus, the Czech prime minister, has done since coming to power in 1992. Though the next election is eight months off, Mr Klaus looks certain to remain

Eight months is, of course, a long time in politics and

long time in politics and THE FINANCIAL TIMES
Published by The Financial Times (Europe)
GmbH, Nibelungsuplatz 3, 60318 Frankfurt um Main. Germany. Telephone ++49
69 156 850, Fax ++49 69 596 4481, Telex
416193. Represented in Frankfurt by J.
Walter Brand. Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Depaty Chairman, Shareholders of the Financial Times (Europe)
Ltd, London and F.T. (Germany Advertising) Ltd, London Shareholder of the shove mentioned two companies in The Financial Times (Europe)
Ltd, London Shareholder of the shove mentioned two companies in The Financial Times (Europe)
Responsible for Advertising: Colin A. Kennard. Printer: DVM Drack-Vertrich und Marketing GmbH. Admiral-Rosendahl-Strasse 3a, 63263 Neu-Ismburg towned by Hürriyet International). ISSN 0174 7363. Responsible Editor. Richard Lambet, con The Financial Times Limited, Number One Southwark Bridge, London SEI 9HL.
FRANCE:
Publishing Director: O. Good, 168 Rue de Rivoli E-75044 Puris Center 01. Telephores

Soutswark Bridge, Loudon Sci. 1971...
FRANCE:
Publishing Director: O. Good, 168 Rue de
Rivoli, F-75044 Puris Cedex 01. Telephome
101) 4297 0621, Fex (01) 4297 0629.
Printer: S.A. Nord Eclair, 15/21 Rue de
Caire, F-59100 Roubeit Cedex 1. Editor:
Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67803D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468
618 6088. Printer: AB Kvillstidningen
Expressen, PO Box 6007, S-550 06, Jönkröning.

köping.

O The Financial Times Limited 1995.
Editor: Richard Lambert,
do The Financial Times Limited, Number
One Southwark Bridge, London SEI 9HL

between now and the general election next June there will be opportunities to make mistakes. As the Czech Republic switches ineluctably into election mode, cracks are appearing in the normally unified face of the government, and Mr Klaus is treading cautiously. A lot has happened since

Czechs last voted in 1992. The country has split with Slovakia, economic reforms have bitten deep, foreign capital has flooded in, the currency is convertible, and membership of the 25-nation club of industrial countries, the Organisation for Economic Co-operation and Development, is expected before the end of the year.

There is little overt evidence

that people are much better off financially, however. Opinion polls suggest that many voters consider they gained little out of privatisation, which has been the driving force of the government's economic policies since it came to office in June 1992. They also show rising support for the opposition Social Democrats (CSSD), from 6.5 per cent at the last election to 18 per cent now. Support peakad at 23 per cent in August. Mr Klaus's Civic Democratic party (ODS), the dominant partner in the government, hovers around 27 per

The election has already assumed centre stage in the political debate but 20 per cent of voters are still undecided. Mr Casimir Knight of the Cen-



tre for Political Analysis, a think-tank, says many voters will be infinenced by "poverty fatigue", the feeling that despite the reforms many voters do not believe they are financially better off.

Mr Milos Zeman, the unflap-pahle CSSD leader, is hoping to benefit from this. "The election will be a vote on the social consequences of privatisation,"

The rise of the CSSD, a threatened strike by doctors and concern ahout the electoral fall-out from privatisation are putting pressure on the government. The strike threat led to the sacking of Mr Ludek Rubas, the health minister,

The mood of the country's doctors reflects a crisis in the health service and may be emblematic of the general malaise. Mr Petr Pithard, a former prime minister, believes that 80 per cent of the profession voted for the ODS in 1992 but that less than 20 per cent would do so today because few of them are better off after three years of reforms.

The government is also wob quickly postponed.

bling over privatisation. The sale of stakes in the electricity and gas distribution companies, which would probably have led to stiff price rises for consumers, was announced early last month and then Mr Vladimir Dlouhy, the

the sales to be completed by oext May, and privatisation ministry officials told a conference attended by foreign investors last month that they would proceed. Mr Klaus, however, is understood to have taken a unilateral decision to postpone them.

> abead with privatisation - in the past four months alone it has sold a stake in SPT Telecom, the telephone oparator. for \$1.45bn and in the oil refineries, hoth to foreign investors. But analysts expect no significant sell-offs before June, especially any that might lead to price increases, such as in the electricity and gas sectors, or could spark political rows, such as reducing the state's large stakes in the main

Czech Republic

ODS (Civic Democratic party)

industry minister, pushed for

The government has pushed

CSSD (Social Democ

Communist party

One political problem for Mr Klaus is the weakness of the Civic Democratic Alliance (ODA), his junior coalition partner. It has been committing a slow and public suicide since it became embroiled in a banking scandal and its leader.

Mr Jan Kalvoda, alleged earlier this year that he was being spied on hy the ODS.

The party's support has nearly halved since January to 6 per cent, one point above the minimum needed to get into parliament. If it does not retain that minimum, Mr Klaus's joh of forming a coalition after the election will be more difficult. Mr Dlouhy, as the ODA's most prominent minister, is facing a challenge to distinguish his party from the ODS.

Meanwhile, analysts say Mr Zeman should not over-estimate his support. The CSSD has few prominent figures and lacks a clear alternative policy to the ODS's free-market agenda. The difference between them is largely one of degree. The party is unlikely to be in government after the election but if its current level bolds it should at least be s more effective opposition.

As the richest and beat organised party the ODS looks set to be the largest party again after the election, but a tough and even personal campaign is predicted. In a television debate with Mr Zeman on Sunday the prickly Mr Klaus became visibly irritated by his opponent's ironic point-scoring. Spin doctors at Ogilvy & Mather, the international advertising agency the ODS has hired to sell its campaign, may decide he will have to modify his aloofness to convince sceptical voters.

CDU to focus energies on unemployment

By Peter Norman in Karlaruhe

Germany's ruling Christian Democratic Union (CDU) yesterday promised to limit wel-fare spending, foster technological innovation and shake up the country's education system to create jobs. On the second day of its annual congress, the CDU

underlined that high and persistent unemployment - currently 9 per cent of the labour force - was the most important economic and social problem. Unemployment was "the hardest nut that we have to crack", said Mr Wolfgang

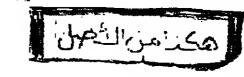
Schauble, the head of the Christian Democrats in the Bundestag. How to create jobs was "for everybody, the most important question concerning the future" declared Mr Jür-gen Rüttgers, minister for education, science research and technology. In a combative address that

flesbed out Monday's speech of Chancellor Helmut Kohl and took swipes at the opposition Social Democratic and Bundnis 90/Green parties. Mr Schäuble said that Germany's problem was not a lack of jobs but that its labour was too expensive. Each year up to 1m foreign workers were allowed to work

in Germany even though 3.5m Germans were unemployed. Mr Schäuble called for aavings and more individual responsihility to curh tha rising cost of the social security system and the resulting increases in nonwage labour costs. The CDU wanted to build stronger incen-tives to work into the unemployment benefit and social security systems, including benefit cuts for social security recipients who refused the

offer of a joh.
Mr Rüttgers, who, as "minister for the future", carries cabi-net responsibility for modernising Germany, said opposition to gene-based industries had cost Germany more than 60,000 blotechnology jobs. Also, the rules regulating media industries, which are the responsibility of authorities in the federal states, needed to be revised to encourage multimedia activities such as tele-banking, tele-shopping, tele-medicine and distance learning.

Mr Ruttgers said the proportion of school leavers going to university had increased to 35 per cent in 1994 from 6 per cent 30 years before. But this quantitative expansion had created a loss of quality. Specialised learning was no use if people had difficulty with reading, writing and maths.



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threaten Madrid prepares for budget defeat

Mr Felipe González's minority Socialist government is braced for the humiliation of losing the vote on its 1996 budget next week and is preparing alternative legislation that will ep the Spanish economy on track for European monetary union (Emu). Mr Pedro Solbes, the economy and finance minister, yesterday termed opposition plans to throw out the budopposition plans to throw out the bud-get an "act of folly" at a time when Spain faced two critical years in which it had to meet the Emu criteria for economic convergence.

Ironically, the defeat of next year's budget could help curb the public sec-tor deficit in the short term because

the current budget will be carried forward to next year, keeping government apending at present levels. Failure by a government to gain approval for its annual budget for the coming year by December 31 means the exist-

ing one is antomatically rolled-over. Mr Solbes said that, on paper, the development eased the government's task of whittling down the consolidated public deficit to 4.4 per cent of gross domestic product in 1996 from a forecast 5.9 per cent at the end of this year. The planned 1996 budget would have been more generous as it took account of inflation. Spending would only have been frozen in real terms overall expenditure was to rise by 3.5 per cent in line with inflation.

He warned, however, that problems such as financing the social security system would increase and that in the absence of a new budget it was unrealistic to expect lower interest rates. "If I were the governor of the Bank of Spain I would not introduce any cuts

in such an environment," be said.

Mr Solbes said that although he believed the markets had already discounted the probability of the government's defeat, failure to introduce bridging fiscal measures would penalise the domestic economy. He would reassert the government's continued commitment to lower spending but a special law would raise pensions and civil service pay by 3.5 per cent to index them to projected 1996 inflation.

All three main opposition parties the conservative Popular party, the Catalan nationalist party and the Communist-led United Left coalition - are due to present amendments rejecting the budget at its first parliamentary committee reading next Wednesday. Last month, the Catalan party, which had backed the government's two previous annual budgets, said it would no longer support the prime minister. The party, which faces regional elections next month, is trying to distance itself from the gov-

ernment, which has been discredited by a series of scandals. The vote will mark the first defeat of a budget since democracy was restored to Spain in 1977. Although it

will not precipitate the immediate fall of the government, it underlines the government's fragility and sets the stage for general elections that Mr González says will be held next March, more than a year before they

The three opposition parties will reject the budget for different and contradictory reasons - the conservatives want to keep social spending in check, the Communists want to increase it, and the Catalans have a separate agenda involving greater fiscal transfers to Catalonia. But, under parliamentary rules, there is one single vote on the budget and the com-bined votes of the three parties will ensure the government's defeat.

Positive action proves negative for Bremen

The government of the city state of Bremen believed it was taking an enlightened atep towards giving women greater opportunities in the public sector when it passed a positive discrimination law in

November 1990. Bremen is a traditional working clasa city, with employment dominated by traditional male blue-collar jobs in the shipyards and docks. Then governed by a Social

Democratic-led coalition, it was one of several German states to pass legislation giving women preference for senior public sector positions. In Bremen, only 10 per cent of sucb jobs were filled by women, whereas they held 40-50 per cent of the lowest level of jobs.

"We wanted to try to redress that balance," said a spokesman for the city.

But Mr Eckhard Kalanke, now 57, was more than disappointed when he was passed over in favour of a woman for a park supervisor's job in late 1990. He set in train a challenge to the new law, which led to yesterday's European Court ruling that it contra-

vened European law. Mr Kalanke had applied for the job along with Ms Helke Glissmann, now 53. Both had engineering diplomas, and both had worked for the city's horticultural department since the mid-1970s.

Mr Holger Bruns-Kösters, a spokesman for the city's department responsible for implementing the positive discrimination legislation, said: "We will now have to reconsider what to do. We hope the ruling will be taken up by Germany's federal labour court. In the meantime, I think we will have to stop our positive discrimination ruling."

But if Bremen is prepared to suspend the law, the reaction by other states suggests they will fight the Enropean Court's decision.

"The ruling has been interpreted and turned into an instrument for safeguarding men's positions," said Ms Christine Bergmann, Berlin's senator for labour and women. "The Federal Republic will not allow the European Union to destroy the important process (of advancing womens' rights)," she added.

Paris bomb prompts fears of renewed attacks

Twenty nine people wera injured, five of them seriously. yesterday in the latest of a series of suspected terrorist bombings to hit the French capital since the summer.

A bomb exploded in a commuter rail carriage at 7.06am near the Musée d'Orsay art gallery, renewing fears of further attacks across the Two of the injured were last night reported to be in a

critical condition. The latest incident bore the hallmarks of seven bombings in the past three months, Suspicion centres again on Islamic extremists, writes Andrew Jack

which are suspected of being linked to tensions between the French government and Islamic extremists in Algeria. It came in spite of the fatal sbooting by gendarmes near Lyons earlier this month of Khaled Kelkal, a young Algerian who the government claimed was at the centre of a network of Islamic extremist terrorists operating in the

The GIA, the Algerian-based Armed Islamic Gronp, has

claimed responsibility for the attacks, which it said were a response to France's continued aupport for the Algerian

However, members of the Algerian Islamic opposition movement maintain that the attacks may have been carried ont by the country's secret polica in an attempt to persuade the French government to maintain its support for the administration.

President Jacques Chirac

expressed "indignatioo" at the attack and pledged his government's determination to track down those responsible. Othar organisations and a number of the country's Moslem leaders also expressed outrage at the attack.

President Chirac seemed set to go ahead with a meeting later this month with Mr Liamine Zeroual, Algeria's president, in a move likely to further anger the Algerian opposition ahead of

preaidential elections scheduled for November 16. In the French parliament, Mr Alain Juppe, the prime minister, condemned the latest bombing and said that France had "no intention of interfering in the slightest way

He defeoded Mr Chirac's meeting and said the French government believed the only solution to the current difficulties of Algeria would be

Police confirmed yesterday that the bomb in the latest incident was contained in a small blue camping gas canister, the same type of device that had been used in all the previous explosions.

The first - and the worst so

a political one brought about through dialogue with

who rejected

in the internal affairs of far - of the attacks to hit France at the start of the campaign on July 25 killed seven people and wounded nearly 100 more on a train at St Michel in central Paris.

EUROPEAN NEWS DIGEST

Montedison gets back assets

Mr Sergio Cusani, a financial consultant and leading figure in Italy'a corruption scandals, yesterday agreed to hand over almost L23bn (\$14m) in assets to Montedison, the industrial group formerly controlled by the Ferruzzi family. The assets, of which L21bn is in cash, had been held in an escrow account following Mr Cusani's conviction last year on corruption charges relating to the creation in 1989 of Enimont, a joint chemicals venture between Montedison and ENI, the state oil concern. The funds recovered are essentially undeclared assets of Montedison and its subsidiarles used for illicit purposes, including funding political parties.

The Cusani deal is the largest asset recovery by civil suit since the corruption scandals first broke in 1992. A Montedison spokesman said yesterday the group had so far recovered L250bn held illegally as a result of the Enimont affair and the mismanagement of the Ferruzzi era that ended with the Ferruzzi group's collapse in 1993, Of this, some L40hn had been handed over or sequestered from the Ferruzzi family and its representative, and a further L20bn from the family of the late Raul Gardini, who headed the group during the 1930s. Montedison has an unresolved L1,000bn damages suit against accountants Price Waterhouse for the losses caused by the Ferruzzi-Gardini management. Robert Graham, Rome

French pledge on budget cut

Mr Jean Arthuls, French finance minister, yesterday sought to buttress support for the government's budget plans, claiming that spending cuts would be achieved through consultation and stressing that France would meet the deficit targets required for European monetary union. However, his address to parliament failed to quell market anxieties. The French franc fell by about two centimes against the D-Mark to trade at around FFr3.506 and the stock market also lost ground. Investors said the fragility of French financial markets

reflected doubts about the government's ability to achieve its target of reducing the public sector deficit to below 3 per cent of GDP by 1997. The reduction, from a forecast 5 per cent this year, is needed to satisfy the conditions for monetary union. The budget has come under attack from trade unions, who criticise its austerity, and from members of the governing coalition who want more spending cut. Yesterday, the government also came under fire for its proposals to curb health spending, one of the main factors behind the rising social security deficit.

John Ridding, 1

Fresh blow to Scharping

The German opposition Social Democratic party, already reeling from months of infighting, was yesterday dealt a further blow by one of its leading members. Mr Oskar Lafontaine, who headed the party in the 1990 elections and is one of its deputy leaders, surprised other senior officials during a meeting on Tuesday when be said that the leadership of the party and of the the parliamentary party should be beld

by two different people.

Both jobs are beld by Mr Rudolf Scharping, the embattled party leader. The comments are seen as a further attempt to undermine Mr Scharping, whose lacklustre performance has contributed to a fall in the party's popularity. According to press reports, Mr Lafontaine also said Mr Scharping had been wrong to remove Mr Gerhard Schröder, the outspoken state wrong in femove in the job as economics premier of Lower Saxony, from the job as economics memory, Bondersman, Bon

ECONOMIC WATCH

German industrial orders fall



New orders for German industry in August fell following a strong rise a month earlier, but the government and analysts warned the figures ahould be treated with caution because of a recent changeover in the way they are calculated. The August figures may also be unrepresentative because they were affected by the summer holidays, the ministry said. August new orders fell 2.4 per cent compared with July and slipped 0.2 per cent compared to the same period a year earlier. A more representative

measurement - the combined figures for July and August compared with the same two-month period e year earlier showed that foreign orders had risen 4.7 per cent while domestic orders had fallen 1.3 per cent. Analysts said the figures indicated that export growth was only likely to slow Michael Lindemann, Bonn later this year or early next. ■ West German wholesale prices rose by 0.4 per cent month-on-month in September after falling 0.5 per cent in August. The year-on-year rise was 1.3 per cent, compared to 1.0

per cent last month. ■ Italian industrial production rose by 6.3 per cent month-on-month in August, and by 9.9 per cent year-on-year.

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French favoured for Australian water bid

By Nikki Tait in Sydney

An Australian public aervice contract has been awarded to a consortium including a French company for the first tima since France resumed nuclear testing in the Pacific in the teeth of widespread protests

and boycott calls in the region. United Water, a consortium 95 per cent-owned by France's Compagnie Générale des Eaux and Britain'a Thames Water. has been chosen as the preferred hidder for a A\$1.5hn (US\$1.14bn) contract to manage Adelaide'a water and sewerage systems for 15 years.

Palestinian

trade pact

by Kantor

By Julian Ozanne in Amman

The US said yesterday it had

the Palestinian authorities

which would allow exports

duty-free access to US mar-

The US-Palestinian deal came as Jordan said yesterday

It expected to approve a long-

delayed trade accord with

Iarael giving Jordanian exports preferential access to

Mr Mickey Kantor, the US

trade representative, said the

agreement with Palestinians

replaced previons arrange-

ments which allowed Palestin-

ian exports to enter the US

under the General System of

Preferences and marked Wash-

ington's commitment to

strengthening the peace pro-

Mr Kantor said the agree-ment would boost jobs and the

creation of industrial zones in

Palestlnian territories. In

retnrn, the Palestinian Anthority pledged to work

towards lifting the Arab economic boycott of Israel. Mr Kantor is visiting Israel

to review the US-Israel Free

Trade Area Agreement which

eliminated tariffs on trade

between the two countries on

January 1 this year. The US

trade representative is seeking

to address ontstanding US-

Israeli trade issues, including more access to Israel's agricul-

tural market and the applica-

tion of standards and regula-

tions, for example in

packaging sizes, that would

In Jordan Mr Ali Abu El-

industry, said the government

Israel peace treaty.

cably resolved.

hailed

This is the biggest "outsourcing" contract to be awarded to date in the Australian water induatry, which largely remains in state government hands. It will also probably be the largest water management contract awarded internation-

Mr Mike Rann, South Australia'a opposition leader, has warned that the government would be an "international laughing stock" if it signed a deal with French company in the middle of the testing pro-

In a pre-emptive move, Mr Malcolm Kinnaird, United's

chairman, stressed that United would be a SA-registered company, with Sooth Australian directors included on its board. "It is our intention to gradually increase local equity once the company is established," he said. Executives have indi-cated that United will probably seek a listing on the Australian Stock Exchange.
United's rivals were North

West Water Australia, an offshoot of Britain's largest water company, and a second consortium called South Australia Water Services, whose higgest shareholders were Lyonnaise des Eaux, the French water

Lease and P&O Australia. It was a condition of the bid that the winner promise to centre its Asia-Pacific headquarters in South Australia, and use this as base from which to pursue work in the region. However, in addition to bidding on potential cost-savings,

each had to submit an "eco-

nomic development plan",

which could form the basis of a hinding agreement on additional exports for the state over the term of the contract. Yesterday, Mr John Olsen, South Australia's infrastructure minister, said the United

company. Australia's Lend bid provided cost-savings of A\$164m over the contract term. In addition, the consortium members - who already have water-related work in Malaysia, Thailand and China, and are bidding on contracts in Manila and Shanghai - had guaranteed a A\$628m boost to exports over the next 15 years,

and the creation of 1,100 jobs. However, he added that the three tenders had been "highly competitive" and that the decision to negotiate final terms with United did not preclude the other hidders heing brought back if details could not be sorted out. The governthe contract on January 1. The United Water consor-

tium, in which Thames and CGE have 47.5 per cent, also includes South Australia's Kinhill Engineers, with 5 per cent. • Protests against Franca's nuclear tests have not harmed its trade with other countries, France's foreign trade secretary Christine Chauvet said yesterday, Reuter reports from

Singapore.
"Following the nuclear tests.
we are checking what is happening to trade. Fortunately, there are no effects," she said during a visit to Singapore.

WORLD TRADE NEWS DIGEST

Russian gas for Macedonia soon

Macedonia will start receiving Russian natural gas next month through a 100km pipeline from the Bulgarian border to Skople. The former Yugoslav republic agreed to buy 800,000 cubic metres yearly from Gazexport, the Russian state gas company, but its shrinking industrial sector is unlikely to use more than 130,000 cubic metres in 1996.

Mr Nikola Cerepnalkovski, energy undersecretary, said: There will probably be only 10 customers out of the 25 big companies that were supposed to switch to natural gas next year." He said the gas project cost \$60m, of which \$25m was covered by Russian loans. Macedonia will pay for the Russian

gas in both products and hard currency.

Mr Cerepoalkovski said that Macedonia would seek funding from international agencies for the second stage of the project. huilding a domestic gas network in Skopje and extending the gas pipeline south to Tito Veles. With Greece due to start receiving Russian natural gas early next year, Albania will be the only Balkan country which is not linked to the eastern Kerin Hope, Thessuloniki European gas network.

US group in Japan chip venture

Fujitsu of Japan and AMD of the US are jointly investing up to Y115bn (\$1.14bn) in a factory to manufacture flash memory chips in Japan. The two companies already have a joint production facility for flash memory chips, which are rewritable memory chips that can store data even when the

The new plant will be located near the existing plant in Aizu Wakamatsu city and is expected to come on stream in 1997 with a production capacity of between 20,000 and 30,000 eight-inch wafers a month. Details are still being discussed, Fuiitsu said.

The decision by Fujitsu and AMD to expand their flash memory operations reflects growing demand for the chips which are used in many portable applications, such as mobile phones and personal computers. Michivo Nakamoto, Tokwa

Toyota plans Indonesia plant

Toyota of Japan plans to build a second plant in Indonesia because of increasing vehicle demand in the region. The company has bought 100 hectares of land in a Jakarta suburb for the plant and construction is likely to start early next year bnt details, such as investment costs, output volume and the types of vehicles to be made, have not been decided.

The plant will be built hy Toyota-Astra Motor, a venture in which Toyota owns 49 per cent and Astra international, the Indonesian group, holds the rest.

The venture made 80,000 Toyota-designed vehicles in 1994. up from 51,535 a year earlier.

Taiwan in \$750m Thai venture

Taiwan's Tuntex Group will invest \$750m to build its second petrochemical plant in Thailand. The purified terephthalic acid (PTA) plant will have an annual production capacity of 900,000 tonnes, nearly tripling the output of Tuntex's and Thailand's first PTA plant, which came on stream last month. Annual production capacity at the first plant will also be expanded from 350,000 tonnes to 420,000 at a cost of \$35m.

PTA is a polyester raw material used to make synthetic fibre. The move is part of a long-term plan by Tuntex to become a vertically integrated textile producer Ted Bardacke, Bangkok in Thailand.

■ Samsung of South Korea will build two 127,000 tonne strengthened tankers to transport crude oil from the Hibernia project off Newfoundland to east coast terminals. The order is worth about US\$200m and the owners have taken an option on a third vessel. Hibernia, with projected output of 150,000 b/d. starts production late in 1997. Robert Gibbens. Montreal

Northern Telecom, the Canadian telecommunications

equipment maker and a supplier to China since 1972, said its Guangdong-Nortel joint venture would supply \$200m worth of . digital switching gear for customers in Guangdong province and elsewhere. Robert G.bben

including Italy's Maristel has won a \$39m contract for an optic fibre telecommunications link between Barcelona, Spain and Savona, Italy. Alcatel Submarine Networks will make equipment for the terminal station and relays in France and Britain and will produce the cable with Maristel in France and Italy. The 760km underwater link is due to start operating commercially in December next year.

Unctad chief to focus on poorest nations

By Frances Williams in Geneva

Mr Rubens Ricupero, new head of the United Nations Conference on Trade and Development, yesterday delivered a finalised a free trade deal with rohust defence of the belea-guered organisation and said it would focus on "the forgotten agenda" of the world's poor from the West Bank and Gaza

Speaking to journalists for the first time since becoming Unctad secretary-general last month, Mr Ricupero rejected charges that Unctad's work duplicated or overlapped with that of the World Trade Organisation, its Geneva neighbour,

The WTO's main functions were to set and administer international trade rules and to settle disputes. Unctad's role was to consider trade and other issnes in relation to development and to give developing countries practical help in gaining access to world mar-

"I see no problems on the horizon" in relation to the WTO. Mr Ricupero said, adding that he and Mr Renato Ruggiero. WTO director-general, were old friends. They had already met to discuss co-operation, including the implementation of developing country projects through the Geneva-based International Trade Centre, which is funded jointly by the two organisations.

The Group of Seven summit in June recommended that Unctad's role be reviewed and other critics have called for its aholition. However, the appointment for four years of Mr Ricupero, a respected Brazilian diplomat and former finance minister, has given it a new sense of security.

Mr Ricupero said yesterday one of his main concerns was the marginalisation of many developing countries bypassed by improvements in the trading system. Globalisation of production

and trade liheralisation were mostly of benefit to manufactured goods, often high-tech products, but had very little impact on commodities, he said. Yet three-quarters of Africa's workforce depended on commodity production. Unctad remained one of the few organisations still interested in the problems associated with commodities, Mr Ricupero said. He drew attention to "the forgotten agenda" of issues left hehind by the Uruguay Round of global trade talks and its predecessors, including some of long standing such as high tariffs on certain products exported by

developing nations.

Unctad could play a useful role in preparing the ground for future WTO negotiations such as those on competition rules, he added.

Mr Ricupero was Brazil's ambassador to Gatt, the WTO's forerunner, from 1987 to 1991. As finance minister, he oversaw last year's currency reform but was forced to resign after a televised gaffe in which he admitted using his position to help the election campaign of Mr Fernando Henrique Cardoso, oow Brazil's president. Renter adds: A United Nations survey, published yes-terday to mark the organisa-



Rubens Ricupero yesterday: forgotten agenda

tion's 50th anniversary, shows three fifths of staff think bureaucracy is its greatest weakness - striking a chord with leading US right-wingers Mr Jesse Helms and Mr Newt Gingrich, whose attacks have soured the organisation's birth-

day celebrations. Recruitment procedures and career development are also widely criticised by staff - two out of three say friends "higher up" are the secret to promotion

Shoemaker survives Albanian strike

By Jane Martinson

After three years, Filanto, one of Italy's largest privately owned shoemakers, has mixed feelings about its experience as one of Albania's first foreign investors

Involved in a deal which will

lead to a new factory being built before the end of the year, the company still bears the scars of a bitter five-n long strike last year. Antonio Filograna, Filanto founder and president,

Ragheb, minister of trade and said the problems his company had faced in Albania compared had nearly agreed its trade accord with Israel, which will unfavourably with those in allow the first exchange of other eastern European countries, including Ukraine, Rusgoods since the 1994 Jordansia and Bulgaria.

Yet the group plans to spend Mr Abu El-Ragheb said disup to \$10m in developing its Tirana base next year, dependpntes over dumping and Israeli subsidies had been amiing on the results of parliamentary elections in the spring. The nadir of Filanto's Albanian experience came during

the strike at its Tirana factory which ended last November. Filanto had taken over the old state-run shoe company on tha capital's Rruga e Fabrika Kepuceve ("shoe factory road"), in a deal which left tha state with a 33 per cent stake. The company's involvement

typines early investment in the country. According to the Alhanian Centre for Foreign Investment Promotion, the country has attracted more than 400 joint ventures, of which 110 involve industry and food processing and 235 involve trade. The Balkan state's cheap labour and geography have attracted European makers of clothes and leather goods. The Filanto deal was attrac-

tive. The cutting and stitching

work. Albanian wages are between 50 per cent and 80 per cent less than those in Italy, according to Mr Raffaele Brunori, general manager at the Tirana factory. It takes just four hours for shoe uppers, cut and stitched in Tirana, to arrive in Casarano, the company's base in southern Italy, where they are unished Last year's strike was chiefly over pay but there had also

of shoe uppers is relatively unskilled, but labour-intensive,

been a number of joh losses, a programme which escalated after the strike ended. At the end of the dispute the 820strong workforce inherited from the state-run enterprise had ahrunk to 350. The company had spent \$3.6m on renovating two sections of the large site hut estimates a L100m (\$62,000) loss from the closure.

grew, Filanto extended an agreement to produce uppers with Qendra Perpunimit te Lekureve, a privately owned leather ceotre in Shijak, near tha port of Durres. The company employs 350 people. This time Filanto offered no contracts and no investment. "We haven't invested a penny but we've guaranteed much work," said Mr Brunori

Politicians and international aid agencies criticised such agreements for showing a lack of commitment. Mr Filograna defends his company's move as creating jobs, and transferring skills and foreign currency. The company, which supplies a number of large outlets such as the Marks and Spencer of the UK, also has a quality control and training programme. . Filanto is now concentrating

As difficulties in Tirana on improving productivity. grew, Filanto extended an Each Alhanian employee makes balf the number of shoes an Italian would, said Mr

"In the beginning these Italians thought they could arrive here and productivity would be like it is in Italy. It takes longer than that," said Mrs Vjollca Gagani, who has worked at the shoe factory for

Filanto appears prepared to wait, in spite of the difficulties. As well as the new factory and the Tirana development plans it is considering moves into the domestic market and the rest of eastern Europe from its Albanian base. Its plans will depend on the success of the supportive Democratic party in next spring's elections and the continuing performance of its

A consortium led by Alcatel Submarine Networks and

■ Daewoo Corporation, a unit of South Korea's Daewoo Group, plans to build a business centre in Warsaw with a total investment of \$38m. Daewoo obtained the Seoul government's approval for the project last week. Reuter, Warsau

NEWS: INTERNATIONAL

New elections bring South Africa down to earth

Roger Matthews reports on local polls vital to delivering on the heady hopes of last year

elections on November 1, they cannot escape the fact that for many people, democracy has already had its finest hour. Nothing is ever likely to match the emotion and excitement of the elections on April 27 last year which largely buried the apartheid system and brought the African National Congress to power at the head of a government of national unity.

But it was also a case of enjoying the cherry before the cake was more than half haked. The election of a national parliament and provincial assemblies had yet to be complemented by demolocal authoritiea. designed by the interim constitution to play a vital role in delivering the promises made by the newly-elected potiti-

President Nelson Mandela reported earlier this year that many members of the black community believed that April

owever hard South
African politicians and the purpose of further eleccampaign for the local tions could only be to remove him from office. This was one explanation advanced hy Mr Mandela to explain why more people have not registered to vote next month. In spite of an intensive campaign, the national average is still only 70

Ensuring that most of the 70 per cent cast their votes and that the balloting is seen to be efficient and fair will be almost as important as the results. Whereas last year the manifold failures in voting administration and suspicions of fraud were overlooked in the general desire to achieve a politically acceptable result, this time there is likely to be less goodwill and more challenges to procedural errors.

The procedures are also more complex. Instead of voting once for a single party at any polling station, electors this time will be making up to three choices in large metropolitan areas, must have their names on a list, and vote at a specific location. All the main parties accept that there will be voter frustration, either because the unregistered are turned away or because people have not been informed where they should vote.

For the ANC it is vital that the new structures assume power smoothly. Campaigning under the slogan "A better life - let's make it happen where we live", the ANC argues that only when local government is properly established can it deliver the basic services promised in the flagship reconstruction and development programme. The ANC's 6,000 candidates have been told to fight a community-based campaign, and it rejects suggestions that the results will be a jndgment on the party's national perfor-

But this will not stop the National party, the ANC'a coalition partner, or the Democratic party, urgently needing to improve on its poor general election performance, from

seizing on issues of national concern.

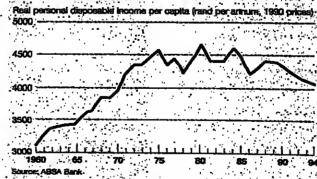
Throughout Johanneshurg their election posters concentrate heavily on crime, an issue which has become the subject of hitter exchanges between the ANC and Mr FW de Klerk, deputy president and leader of the National party. Nor will it stop the ANC's opponents pointing out that in 16 months the government has constructed 10,000 new houses, modest start to the 1m it pledged during its five-year term of office.

Mr Tom Lodge, professor of

politics at the University of the Witwatersrand, believes that a combination of voter apathy, typical of local elections worldwide, and the emergence of a small protest vote, could result in the ANC getting rather less than the 62 per cent of the vote it won last year. But he does not think the decline will he politically significant For other parties the results

could he more critical.

South Africa



especially for the Freedom Front, led by General Constand Viljoen, who is campaigning on his demand for volkstate (people's states), antonomous areas for the country's 2.5m Afrikaners. Gen Viljoen believes that a strong performance by the 1,000 candidates of the Freedom Front would substantially strengthen his case, and the prospecta for his party's demands being accepted by the government and Constitutional Assembly

The Afrikaner must be kept in the political mainstream, he said last week. "We may be small in numbers, but we are strong in influence. We reject the National party's view that South Africa must become a racial malting pot and believe that self-determination is a demonstrably workable option

for us. I believe the elections will show that the Freedom Front commands the support of the Afrikaner people." An area of even greater concern, which will not have

its opinion tested next month. is the troubled province of KwaZuln-Natal where disputes over electoral boundaries and the role of traditional leaders have not been overcome in time for voting to be held. Violence between supporters of the mainly Zuln Inkatha Freedom party and the ANC has reached alarming levels, and the chances of the election going ahead before the end of March appear slim if the police and politicians cannot restore

Sonth Africa needs the succesaful elections next month as an example to KwaZuln-Natal, to give democracy a hetter chance of putting down local roots and to remove the last excuses for not delivering the material improvements that the nation

Aziz says Iraq will change

Iraq's deputy prime minister yesterday promised more political change, with parliamentary elections due by February and possibly a presidential election with more than one candidate in the future.

Mr Tariq Aziz, speaking after Mr Saddam Hussein won more than 99 per cent in Sunday's referendum on his presidency. tried to pre-empt western criticism of the voting, saying the west sought only hegemony over Iraqi oil.

"The referendum's only a first step. Other steps will follow along the path of transition from revolutionary to con-stitutional legitimacy." Mr

Reuter, Baghdad

Zambia threatens to deport Kaunda

Mr Kenneth Kaunda, Zambian president for 27 years until 1991, has been threatened with deportation in the latest twist in an escalating battle with President Frederick Chiluba.

Mr Chitalu Sampa, home affairs minister, said Mr Kaunda, 71, could be deported for ruling Zamhia "illegally" before 1970 when he renounced Malawian citizenship.

"The government is satisfied the former president is not a Zambian and necessary work is being done to see that the law is applied ... We are still investigating and shall accordingly deal with him just like any other alien," he said.

Reuter, Lusako

Nigeria dismisses official who opposed IMF

By Michael Holman, Africa Editor

Nigerla's most senior civil servant, widely believed to have opposed efforts to renew economic policy agreements with the World Bank and IMF, has been dismissed, the country's atate television service reported yesterday.

Citing an official statement

said that Mr Aminn Saleh, secretary to the military govern-

mant of General Sani Abacha, had been replaced in an acting capacity by Gidado Idris, director-general of the ministry of It said the change was effec-

issued in the capital Abuja, it

tive immediately. No reason was given for Mr Saleh's

The development comes ish Chamber of Commerce. shortly after Mr Anthony Ani, Nigeria's finance minister, and Chief Ernest Shonekan, the former civilian head of administration, held talks in Washington with the Bank and the

The two men yesterday addressed a seminar in London on investment in Nigeria. organised by the Nigerlan-Brit-

Questioned on the outcome of the Washington talks, Mr Anl said they had gone well, but gave few details. Among the obstacles to an IMF agreement is the government's attempt to recover control of four of Nigeria's top banks, in which government ahares were sold off under its privatisation

Mr Ani can, however, point to some success in his efforts to reduce the budget deficit, and has taken up to N130bn (£960m) out of the money supply in an attempt to curb inflation and maintain a atable

An IMF deal is an essential step to sustained recovery, as it is a pre-condition to any eduling of the country's external debt, which including arrears is approaching Mr Saleh'a removal is the first major change in the

administration since October 1. Gen Abacha then announced a programme to hand over to an elected government in three years time, a period his critics and western governments have criticised as too long.



NEWS: ASIA-PACIFIC

on military crime

By Edward Luce in Manila

The Philippine government said yesterday it would set up a high level anti-crime unit to combat increasing police and military involvement in a new wave of kidnappings and bank robberies.

The move follows the decision by President Fidel Ramos last week to assume full control of the government's anticrime drive - a rebuff for Mr Joseph Estrada, his vice-president and the previous bead of law enforcement.

Mr Estrada, widely touted as a successor to President Ramos when his term eods in 1998, is judged to have failed in his role as "anti-crime czar". He was also accused earlier this year of having masterminded the extra-judicial execution of 11 bank robbers in the back of

ASIA-PACIFIC NEWS DIGEST

Japan's money

growth slows

a preliminary report by the Bank of Japan.

too early to judge the impact of the rate cuts.

Japanese money supply grew at an annual 2.8 per cent in

September, from a revised 2.9 per cent in August, according to

The sedate growth rate in benchmark money supply, M2

plus certificates of deposit, came in spite of a radical easing in monetary conditions in September. The BOJ cut the official

discount rate on September 8 to 0.5 per cent, the lowest of any

leading economy in post-war years and drove money market

rates even lower. However, a BOJ official said yesterday it was

A broader measure of liquidity, also including postal savings

broadly consistent with economic recovery, said Mr Dick Beason of James Capel Pacific. William Dawkins, Tokyo

Move on bank confidence urged

One of Japan's leading commercial bankers yesterday called

Mr Toru Hashimoto, chairman of the Federation of Bankers'

Associations, said banks needed to redouble their efforts to

eliminate the so-called "Japan premium", the extra charge now added to interest rates on funds borrowed by Japanese

banks in international markets. Banks needed to improve

their risk management and seek ways of strengthening their

The Bharatiya Japata party (BJP), India's largest opposition

Pradesh, India's most populous and politically important state.

The BJP's move will add to the political uncertainty in other Indian states including Gujarat, where a BJP government

elected in February is facing a revolt from within the party.

Political observers had predicted that the four-and-a-half

month old alliance between Ms Mayawati and the BJP would

not last. Ms Mayawati, a former teacher and law graduate, is a Dalit or "untouchable", belonging to India's poorest and lowest caste. In a country riddled with caste distinctions, she

became the first member of the lower castes to be elected chief

minister of a state. The Hindu right-wing BJP has traditionally

the federal government would revise downward its current account deficit forecast for 1995/6 in January next year. In the

May budget, the government indicated that it expected a

current account deficit of A\$27bn (\$20.6bn) in the current financial year – little changed from the 1994/5 figure and about 5.5 per cent of gross domestic product. However, the slowdown in the economy, coupled with improvement in prices for

commodity exports and the ending of the eastern states'

analysts expect a 1995/6 deficit of around A\$22bn.

drought has led to an improvement in the trade position. Most

Economic life in Western Australia was severely disrupted

yesterday as local workers joined a 24-hour strike in protest at the state government's latest industrial relations reform

proposals, while unions in other states imposed a "blockade". However business groups said the impact had been less severe

than on similar occasions in the past. Nikki Tait, Sydney

withdrew him in protest over a US visit by Taiwan's president Foreign Ministry spokesman Chen Jian said amhassador Li Daoyu would go to Washington this week and attend next

China envoy returning to US

China's ambassador to the US will return to his post in

Washington this week, some four months after Beijing

week's summit in New York between the US and Chinese

Australian deficit improving Mr Kim Beazley, Australia's finance minister, said yesterday

party, said yesterday it would withdraw support for the

government of Ms Mayawati, the chief minister of Uttar.

Gerard Baker, Tokyo

Tony Walker, Beijing

international confidence in the fragile Japanese financial

on the country's banks to move quickly to restore

Uttar Pradesh regime hit

represented the upper castes.

Vive Francis

and government bonds, grew at 3.8 per cent last month,

compared with 3.6 per cent in August. While low, this was

a van. The vice-president sald they had been killed in a police shoot-out.

The move to create a specialist task force to counter organised crime by men in uniform was welcomed by anti-crime groups. "I bope it really pro-duces results," said Ms Tessy Ang-See, head of a Chinese-Filipino anti-kidnapping group yesterday.

"In the past high-ranking generals and officers have been implicated in kidnappings of Chinese-Filipinos only to be retired from service which allowa them to pursue their criminal activities full-time." sha said.

The government says there have been 105 cases of kidnap-ping or attempted kidnaps this year, double the rate in 1994. Unlike previously, when a rash of kidnappings of Chinese businessmen and their family members led to a rapid outflow of capital from the Philippines, prominent indigenous Filipino families are the targets this

Until earlier this year the authorities beliaved a campaign had successfully eradicated most of the kidnapping

However, Ms Ang See said the government had evidence to show that the Red Scorpions (RSG), a group of former mili-tary intelligence officers involved in kidnappings in 1993, had renewed their activi-

The government had previously claimed that the RSG, which is mainly composed of former anti-communist intelligence officers, had been wiped

By John Burton in Seoul

North Korean infiltrator by South Korean soldiers yesterday is likely to deepen tensions between the two

The North Korean soldier, wearing a diving suit and apparently on a reconnaissance mission, was killed early yesterday morning along the banks of the Imjin river, just south of the demilitarised zone that divides the Korean penin-

South Korean President Kim Young-sam, who is on a state visit to Canada, said the incident proved "North Korea con-

The defence ministry in Seoul warned that further infiltrations would trigger a strong retaliation. It called the incident a deliberate provocation against South Korea that was meant to rupture efforts

of a North Korean intruder since three were shot dead near the central front May 1992.

a violation of the armistice agreement that ended the 1950-53 Korean war, and the United Nations command, which represents the US and South Korea, is expected to file a protest with North

In a policy statement on the North Korean issue this week, Mr Kim said Seoul would not provide more economic aid to Pyongyang until its leadership displayed a more conciliatory attitude.

South Korea this summer

The Seoul government also line policy.

Intrusion deepens Korean tensions

Koreas.

times to maintain its belligerent stance toward Sonth

at reconciliation.

It was the first interception

The infiltration attempt was

It is uncertain how Pyong yang will respond, since it no longer recognises the armistice agreement as it pushes for a formal peace treaty with

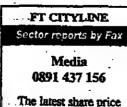
The incident is expected to strengthen Seoul's new tough approach to relations with

provided 150,000 tomes of free rice to a bungry North Korea in an attempt to re-open stalled political talks. But North Korea bas shown little willingness to engage in dialogue.

came under widespread public criticism for being too gener-ous to North Korea with little to show for it. Since then, it has switched to a more hard-







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Manila cracks down Suharto revives communist spectre

Jakarta rekindles fears of left-wing menace in drive to bolster its legitimacy

nism is a dead issue, but, if the Indonesian government and military are to be believed, the threat of a communist resurgence still lurks in every

Government ministers and generals have in the past month issued regular warnings to the poblic that "commnnists" are threatening to destabilise the unity of the 50-yearold republic. President Subarto has also

joined the chorus, warning the younger generation that a "certain formless organisation" has been actively spreading com-munist teachings in Indonesia. The warnings have less to do with a real communist threat than with the New Order regime's coocerns about its legitimacy. President Suharto is serving his sixth five-year term, having ruled since the

abortive 1965 coup which his regime has blamed on the out-

lawed PKI, the Indonesian

communist party.

It is not the first time the 30-year old regime has dragged communism out of the broom cupboard and paraded it as a public enemy. What appears to have sparked the latest government wave of anti-communism is a book by Mr Oei Tjoe Tat, a former assistant to the late President Sukarno, who was ousted by President Suharto after the failed coup's after;

In his book, which was banned by the government, Mr Oei describes his version of events surrounding the 1965 coup attempt, in which six generals were murdered. His message is that Mr Suharto, a former general himself, may have been far more instrumental in the coup than New Order admits. Mr Suharto's government

claims the coup attempt was engineered by the PKI which formed one of Sukarno's strongest pillars of support. In the aftermath, about half a million communist sympathisers and suspected communists are believed to have been killed either by the army or by a poo-

ulation encouraged to take

Mr Oei's is by no means a new theory. However it comes after the government freed three political prisoners associated with the Sukarno regime and after the government removed the compulsory "ET" mark, which indicates a former political prisoner, from citizens' identity cards.

Set against this short bout of forgiveness - prompted by the country's 50th independence day celebrations in August - is the fact that a number of political prisoners serving sentences imposed after the coun remain on death row.

Former ETs - It stands for "ex-tahanan politik", or former political prisoners - are still discriminated against. Information about former ETs remains on the government's centralised computer system and their activities are monitored and

Keeping the fear of communism alive helps bolster the argument that the New Order government is still needed to protect the country's interests. Mr Suharto is widely expected to run again for president at the next elections in 1998. With restrictions on licensed opposi-tion parties, there is no doubt that he will be voted in if he

To illustrate how deeply the threat of communism has been

A mural dating from just after the attempted coup showing President Suharto as saviour of Indonesia from communism with the legend: 'Awakening of the 1966 generation' one Balinese wrote to the national daily Republika, pleading with his fellow

countrymen not to belittle the

communist threat. "It can regain power wbenever conflict and social gaps nrevail. Shortcomings in development as well as slander and provocation can help communism," he wrote. "Communism still exists in neighbouring countries. Its negative influence can most likely penetrate this country.

Meanwhile, the calls are increasing for more democratic rule and accountable government, particularly from those born after the 1960s massacres. Youths make easy prey, especially university students who did not undergo the bitter historical experience of the [failed coup]," Mr Hayono

Indonesian army general chief of staff Soeyone has named three leading dissidents as the main figures behind groups said to be a security threat, newspapers said yesterday, Reuter reports from Jakarta.

Gen Soeyono identified banned author Mr Pramoedy Ananta Toer, scholar Mr George Aditiondro and labour leader Mr Mnchtar Pakpapan as ringleaders. "These organisations change their form constantly but the people behind them are always the same." the Jakarta Post quoted him as saying. "Their objective is clear to topple the government, split the Indonesian armed forces (ABRI) and set ABRI against the people and destroy the nation," he said. The activities of the groups are said to hear the hallmarks of the banned

Indonesian Communist party. Iaman, minister for youth affairs and sports, warned

recently. The government's concern is that books such as Mr Oei's can further inflame those demands, furnishing them with ammunition which could challenge the basis of the New

Order'a legitimacy. It is clear the government's "communists" include anyone who speaks out against human rights abuses, criticises Indonesia's justice aystem or calls

for democracy. It is also clear that open discussion about the 1965 coup remains taboo. While a number of those imprisoned for their alleged involvement in the 1965 coup have been executed, noone has been held to account for the massacres.

Manuela Saragosa

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Clinton team starts Congress troops plea By Jurek Martin in Washington and Laura Sliber in Zagreb They all told the Senate armed services committee that there would be no neace in Rosnia without the Nato The Clinton team starts Congress troops plea forced to return st a much greater price." Gen Shelikschmili washington says there on the Administration says

The Clinton administration yesterday began a drive to persuade Congress not to block the deployment of more than 20,000 US troops as part of Nato's planned peace enforcement presence in Bosnia.

Mr Warren Christopher and Mr Willam Perry, secretaries of state and defence, General John Shalikashvili, chairman of the joint chiefs of staff and General George Joulwan, Nato sopreme commander, started two days of testimony, the first of four testimony rounds to various congresThey all told the Senate armed services committee that there would be no peace in Bosnia without the Nato presence, and that Nato could not operate effectively without the US.

Peacs in Bosnia, Mr Perry said. "will affect the vital national security interests of the United States". It would not merely lessen the dangers of a wider Balkan war but demonstrate the credibility of Nato, to which US leadership was indispensable.

"I believe," Mr Perry said, "that US security is inextricably linked with European security and we know, from the harsb lessons of experience, that when the US turns its back on European instability, in the long run it is charged that the administration has

the US division (about 20,000 troops). plus logistical, air and naval support forces, would be operating under "robust Nato rules of engagement". There would be no "dual key" chain of command with the UN or other nations, though he boped for some Russian participation under Nato.

Gen Shalikashvili said the Nato force should be in Bosnia for no more than 12 months, though remnants might remain. "As in Haiti," he said, "we prefer to go in very heavy." Senators from both parties have

prior approval by Congress of a US deployment but, as a practical matter, consultation is necessary because the legislature must authorise funding.

Yesterday, the administration told the committee that the cost would be between \$1bn-\$2bn, adding that other nations, including Russia if it participated, would be asked to bear their full financial shares.

Mr Christopher warned Croatia to desist from military action in the Serb-held enclave of eastern Slavonia. where an offensive by Zagreb's forces is widely seen as imminent. Croatia

"We've made it absolutely clear to [Croatian President Franco] Tudiman that we think that area should not be conquered or taken by force," said the secretary of state. He knows it will be very costly to Croatia and its desire to become part of western institutions.

In London, where Mr Malcolm Rifkind, the UK foreign secretary dis-cussed former Yugoslavia with Mr Tony Lake, the US national security adviser, UK officials said Croatia's prospects of ties with the European Union were at stake.

Treasury moves to calm fears over \$100 bill forgeries

By George Graham In Washington

The US Treasury yesterday moved to calm worries about the safety of its \$100 banknotes in the wake of reports that billions of dollars worth of undetectable forgeries were flooding

undersecretary for enforcement, acknowledged that there were "some highly deceptive counterfeit notes in circulation from the Middle East, as well as other notes from Canada and South America".

But he said a report in the New Yorker magazine claiming the forgeries could fool the Mr Ronald Noble, Treasury 'Federal Reserve's scanning

itted to the Official List on 26 October 1995.

machines greatly exaggerated the danger, adding that there was no evidence the notes were circulating in large quan-

"The notes can be detected

by the Federal Reserve and by cash handlers in the US and abroad." Mr Noble said.

The reports have, nevertheless, alarmed some foreign

Two thirds of the estimated \$380bn of US currency in circulation is held abroad, where it often supersedes the domestic currency as a stable asset for

new \$50 bills in 1997.

holders of US currency, who

were jumpy after the Treasury

announced last month that it

would introduce new and more

secure \$100 bills next year and

investors. News of the new bills provoked fears, especially in Russia and Ukraine, that the old ones would not be honoured.

Mr John Hawke, Treasury undersecretary for domestic finance, yesterday tried to reassure the Russians. The old notes will remain valid for as long as an individual wants

to hold them," he said. The new \$100 bills include a new watermark echoing the portrait of Benjamin Franklin printed on the face of the note. a security thread that glows red when exposed to ultraviolet light, and ink in the lower right hand corner that changes from green to black when viewed from different angles.

modest growth US industrial production

By Michael Prowse In Washington

US industrial production fell in September for the first time in five months, indicating that economic growth is likely to remain moderate.

The Federal Reserve said manufacturing output rose 0.2 per cent last month but the increase was not sufficient to offset a sharp drop in electricity usage following the return of cooler weather.

Production as a whole fell 0.2 per cent following an erratic 1.1 per cent gain in

August.
The rate of industrial capacity utilisation declined to 83.8 per cent against 84.2 per cent in August, a further sign that inflationary pressures are receding.

The overall weakness of production mainly reflected a 5.4 per cent drop in ootput of utilities last month - a reaction to a surge in electricity usage during an unseasonally hot August

However, other sectors showed little vigour. Output of consumer goods fell 0.5 per cent after a 1.4 per cent gain in August. Output of materials dropped 0.2 per cent after a 1 per cent gain.

The figures were slightly weaker than most Wall Street economists expected, but appeared consistent with B consensus projection of moderate non-inflationary growth in the months ahead.

Some economists, bowever,

Month on month % charge, 1994

ted, because corporate inventories remain high relative to consumer demand and because growth of capital spending is slowing down rapidly.

"I don't expect strong mo duction numbers for the rest of the year because manufacturers still have to shed some inventories," said Mr David Resler, chief economist at Nomura Securities in New

He said there was a strong parallel between economic trends this year and those in 1989, shortly before the economy slid into the 1990/91 reces-

While offering few clues about the longevity of the current upturn, yesterday's fig-ures confirmed that a modest economic rebound did occur in the third quarter.

Industrial production grew at an annual rate of 3.5 per cent over this period, following fear that growth will be a decline of 23 per cent in the weaker than generally expec- previous three months.

Farrakhan's speech uplifts and mystifies



Farrakhau digressed into numerology, and Egyptology

have to be long. President Abraham Lincoln'a Gettysburg address in 1863 ran to just 271 words. Exactly 100 years later, the Rev Martin Luther King used up only 19 minutes for his "I Have

A Dream" oration. The sun was setting behind the Washington Monument on Monday evening when Mr Louis Farrakhan, head of the Nation of Islam, finally finished addressing the Million Man March of black men, 400,000 of them according to the official police count, three times that according to the organisers. He had spoken for the best part of 21/2 hours.

It would be churlish to deny that his speech had fine passages. But it also cannot be denied that its many obscure digresaions into slavery, numerology, Egyptology, Masonic lore and the teachings of the Bible, Talmud and Koran, well sprinkled with attacks on historical and contemporary white politicians, mostly mystified a crowd which began to drift away before he had finished.

Those that did remain also heard an interesting concluaion. Mr Farrakhan issned something between a takeover bid and a demand for a seat at the table of all the deliberations of the leading black and civil rights organisations, many of whose leaders have abunned him. His claim, as the man who

bad put together such an impressive and peaceful demonstration, was that the message – black self-empowerment and the messenger - himself were inseparable. With tha Rev Jesse Jackson relegated to B supporting role it was easy to e why Mr Farrakhan could stake such a claim.

But his may be a questionable assertion. Mary McGrory, the veteran liberal columnist. toured the throng on the Mall and found that "to whites Louis Farrakhan was the issue: to blacks he was not".

Congressman John Lewis, the Democrat from Georgia and veteran of the civil rights movement, did not sttend the march but thought Mr Farrakhan's speech was mostly "moderate", including its offer of a dialogue with American Jews.

reat speeches do not But in an evening television interview, Mr Farrakhan said be had only ever spoken "the truth" about Jews, whom he has called "bloodsuckers".

The white political reaction saw fewer saving graces in the messenger. Congressman Newt Gingrich, the Speaker of the House, called Mr Farrakhan an "unrepentant bigot", a fair exchange since the Nation of Islam leader identified him as one of the white politicians who was blowing "a wind on the dry bones" of longoppressed blacks.

Senator Bob Dole, the majority leader, used the occasion to attack President Bill Clinton, saying in a New York speech that he was "shocked and dismayed" that Mr Clinton "did not find the moral courage to denounce Louis Farrakhan by name" in his address on race relations on Monday.

But Mr Dole, like Mr Clinton .. and retired General Colin Powell earlier in the day, also spoke approvingly of more black self-reliance, and all three will be trying to calculate the impact of the march on their declared or potential presidential campaigns.

If a strong black voter registration drive, as urged by Rev Jackson and others, materialises in the year ahead, then it logically abould favour Mr Clinton and the Democrats in key western and northern

But Republicans - and possi bly Gen Powell - could benefit from a white backlash against the assertion of black separatist power generated by the likes of Mr Farrakhan, as Mr Dole clearly sought to imply in his criticiam of Mr Clinton. Adverse white reaction to the O.J. Simpson verdict may also have a still unquantifiable electoral consequence.

All this could come to a head again a year from now, just three weeks before the country votes for president and congress, in the second Million Man March promised by Mr Farrakhan. That event, and the rhetoric it embraces, could prove a severe test of Mr Clinton's Monday assertion that ? on the edge of the 21st century, we dare not tolerate the existence of two Americas".

Jurek Martin

INFORMATION FROM THE BANK OF ENGLAND ISSUE OF £3,000,000,000

8% TREASURY STOCK 2015

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER FOR AUCTION ON A BID PRICE BASIS ON 25 OCTOBER 1995

PAYABLE IN FULL WITH APPLICATION

This Stock will, on issue, be an investment falling within Part II of the First Schedu to the Trustee Investments Act 1961. Application has been made to the Lond Stock Exchange for the Stock to be admitted to the Official List on 26 October 195

I. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of

will also be transferable, to multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfer

5. Interest will be payable half-yearly on 7 June and 7 December. Income us will

be deducted from psymetus of more than £5 per annum. Interest warrants will be sent by post. Interest will accrue from Thursday, 26 October 1995 and the first

7. The Stock and the interest payable thereon will be exempt from all United Kingdom taxafoo, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

Further, the interest psychic on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is to the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of

For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes

10. Applications for exemption from United Kingdom income tox should be made

in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Notingham, NG2

11. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes

Management Act 1970, Section 43 (11, no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In

addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any tuste or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to

in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident to the United Kingdom.

12. It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be strippable subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer announced that the Government had decided in principle to introduce such a facility and had also decided that any securities made strippable through any such facility would be exempt from withholding the sud from the quarterly accounting arrangements which it is intended to introduce to connection with sale and repurchase agreements for gift-edged securities. The introduction of an official strips facility will not be before the second half of 1996.

13. Further details of the tax treatment of securities resulting from the stripping of stock of this issue will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemptions in paragraphs 7 to 11 above in relation to such stripped securities are subject to modification. Information about other proposed changes in the tax regime for gilt-edged securities is contained in the documents referred to in paragraph 27

14. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makent may make competitive bids by telephone to the Bank of England not later than 10.00 am or Wednesday, 25 October.

15. Application forms must be sent to the Bank of England, New Issues, PO-Box 444, Gloucester, GL1 INP to arrive not later than 10.00 AM ON WEDNESDAY, 25 OCTOBER 1995; or lodged by hand at the Central Gits Office, Bank of England, Bank Buiktings, 19 Old Jewry, London not later than 10.00 AM ON WEDNESDAY, 25 OCTOBER 1995; or lodged by hand at any of the âranches or Agencies of the Bank of England not later than 3.30 PM ON TUESDAY, 24 OCTOBER 1995. Bids will not be revocable between 10.00 am on Wednesday. 25 October 1995 and 10.00 am on Monday, 30 October 1995.

The Stock may be held on the National Savings Stock Register.

nent will be made on 7 December 1995 at the rate of £0.9206 per £100

land held for the account of members of the Central Gilts Office (CGO) Service

The Stock will be repaid at par on 7 December 2015.

will be free of stamp duty.

Great Britain and Northern Ireland.

of United Kingdom income tax

Method of Applicati

16. COMPETITIVE BIDS

With a non-competitive bid

Price bid

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT AT THE RATE OF £100 FOR EVERY £100 ROMINAL OF BTOCK APPLIED FOR must accompany each

With a competitive bid

(iv) The Bank of England reserves the right to reject any non-competitive bid.

Non-competitive bids which are accepted will be accepted to full AT A

PRICE (tha non-competitive sale price) EQUAL TO THE AVERAGE OF

THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST

MULTIPLE OF 1/32ND OF £1. If the non-competitive sale price is less than £100 per £100 nominal of Stock the holance of the amount paid will be refunded by cheque despended by post

18. The Bank of England may sell less than the full amount of the Stock on offer sale price or any other sale of Stock.

19. The Stock will be, and all previous issues of the Stock have been, initially issued at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding 1/4% per annum sook may be at a deep discount (orotaly, a cascount exceeding '770 per annum' and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of such Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is actifier a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

20. The Stock will be issued in registered form and allotment leners will not be issued. Except in the case of Stock held for the account of members of the CGO Service (for whom separate arrangements apply), registration and payment of interest will be in accordance with the instructions given to the application form.

market will be in accordance with the instructions given to the application form.

21. Certificates in respect of the Stock sold (other than amounts held to the CGI Service for the account of members) will be despached by post at the risk of the applicant, but the desputch of any such certificate, and the refund of any excess amount poid, may at the discretion of the Bank of England be withheld until the applicant's chaque has been paid or CHAPS payment received. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his applicant will be notified by letter by the Bank of England of the acceptance of his applicant and of the amount of Stock allocated to him, subject to each case to the payment of his chaque or receipt of his CHAPS payment, by such notification will confer no right on the applicant to transfer the Stock at allocated.

22. No sale will be made of a tess amount than £1,000 nominal of Stock. If application is satisfied in part only, the excess amount paid will, when refunded, remitted by cheque despatched by post at the risk of the applicant; if an applicant is rejected the amount paid on application will be returned likewise. Non-payate on presentation of a cheque or uno-receipt of a CHAPS payment on the due date respect of any Stock sold will render such Stock liable to furfeiture. Interest a rate equal to the London inter-Bank Offered Rate for seven day deposits in steril rate equal to the London inter-usant Outeron Mate for seven usy uspossion mean
("LIBOR") plus 1% per amount may, however, be charged on the amount pays
in respect of any Stock for which payment is accepted after the due date. Such
will be determined by the Bank of England by reference to market quotations,
the due date for such payment, for LIBOR obtained from such source or address
the Bank of England shall consider appropriate.

23. Subject to the provisions governing membership of the CGO Service, member of that Service may, by completing Section C of the application for request that any Stock sold to him be credited direct to his account to the CGO Thursday, 26 October 1993 by means of a member-to-member delivery from account in the name of the Governor and Company of the Bank of England, Numb 2 Account. Palture to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 26 October 1995 shall for a proposes of this purposes of the suppose to the contraction of the suppose urposes of this prospectus constitute default in due payment of the amount pays a respect of the relevant Stock.

24. Until the close of business on 2 November 1995, stock issued in with this prospectus will be known as 2% Transmer Stock 2015 and 24. Until the close of business on 2 November 1995, snock issued in accordar with this prospectus will be known as 2% Tressury Stock 2015 "A". The inter-due on 7 December 1995 will be paid separately on holdings of the exist 8% Treasury Stock 2015 and on holdings of "A" stock registered at the close business on 2 November 1995; consequently, interest mandates, authorities income tax exemption and other notifications recorded in respect of holdings existing stock will not be applied in the payment of interest due on 7 December 1995 on holdings of "A" stock.

25. Transfers of 8% Treasmy Stock 2015 "A" may be lodged at the Bank of England for registration in that form up to 31 October 1995. After that date, for purposes of certification, the "A" stock will not be distinguished from the existing 8% Treasmy Stock 2015. From the opening of business on 3 November 1995, the "A" stock will be smalgamated on the register with the existing stock. COO account balances will have been amalgamated from the opening of business on 1 November 1995.

26. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues. Southgate House, Southgate Street, Gloocester, GLI 1UW; at the Central Girts Office, Bank of England, I Bank Buildings, Princes Street, London, ECZR BEU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Donegall House, 7 Donegall Square North, Belfast, BT1 5LU; or at any office of the London Stock Exchange.

27. Attention is drawn to the consultative document published by the Inland Revenue on 25 May 1995, which proposes changes to the taxation regime for gilt-edged securities, to the press release issued by the laland Revenue on 10 July 1995 following the announcement by the Chancellor of the Exchequer that the Government would proceed with reform of the taxation of gilts and bonds, and to the Government Statement referred to in the final paragraph of this prospectus.

on is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which caplained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that on responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any LONDON transaction liable to be set aside nor give rise to any claim for compensation.

£100 per £100 nominal of Stock TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND NOMINAL OF BIOCE APPLIED FOR a bank in, and be payable in.

1 UWe apply in accordance with the terms of the prospective bids cheques must be drawn on a bank in, and be payable in.

1 UWe apply in accordance with the terms of the prospective bids ched 17 October 1995 as follows: FOR COMPETITIVE BIDS ONLY the for Stock to be purchased to the price bid;
Nominal amount of 8% Tressury Stock 2015 Lineual of Stock applied for Mulaple £100,000 £500,000-£1,000,000 £1,000,000 or greater £1,000,000 Price hid per £160 nominal of Stock, being a waltiple of 1/32nd of £1: If the non-competitive sale price is greater than £100 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock 2015 such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such further payment has been made. Som enclosed (b), being £100 (c) for every £100 NOMINAL of Suck applied for: FOR CGO MEMBERS ONLY CGO PARTICIPANT NUMBER... THIS SECTION TO BE COMPLETED BY ALL APPLICANTS I/Wa request than Stock sold to me/us be registered in the undermeastioned name; s) and that any certificate be sent by post at my/our risk to the first-named holder at the address shown below and that interest payments be made in accordance. bolder at the address shows below and that interest payments be made in accordance with the instructions given below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE COO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us to credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-o-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 26 October 1995, and we serve that the consideration to be intent in respect of such

Date	SEGNATURES of, or on behalf	
	RECISTRATION many be registered in the names of LETTERS PLEASE	OETAILS individuals or a corporate body.
Title	Forename(s) in full	Surname.
Address		
		Postcode
Tide	Forename(s) in full	Surature
Address		
		Postcode
	iephone Number e is a query)	
	For Bank of Eng	land use
	Exd.	Transaction Number 16
889 A		

NOTE: The Stock will be	registered on the	Bank of England Register, unless you NAL SAVINGS STOCK REGISTE
wish the Stock to be regist	ered on the NATTO	NAL SAVINGS STOCK RECESTE
Bank of Ireland, Belfag, i	in which case piezo	to tick the appropriate box.
	NSSR	BELFAST
(a) From h the same	a7	

acrops at use case of manufers of the CGO Service who have completed Section C, a CHAPS payment must be sent to the Sarting Banking Office. Bask of England (Sort Code 10-00-00) for the credit of "New James" (Account Number 58:50009) quoting the reference "ETY2015", to arrive not later than 1.30pm on Toursday, 26 October 1995. A separate cheque must accompany each non-competitive application. Cheques should be made payable to the "Sank of England" and crusted "New leases" and must be drawn on a bank in, and be payable in, the United Kingdom, Channel Islands on the late of Man.

hire for may refund, or further amount payable, is set out in the APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GLI INP TO ARRIVE NOT LATER ISSUES, FO BUX 444, GLOVESSAR, GET THE TO MARKETE NOT LATER THAN IOLIO AM ON WEDNESDAY, 25 OCTOBER 1995; OR LODGED BY HANO AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK

HANO AT THE CENTRAL GLEIS OFFICE, GARN OF ENGLAND, BANK

BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON

WEDNESOAY, 25 OCTOBER 1995; OR LODGED BY HAND AT ANY OF THE

BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 24 OCTOBER 1995.

17 October 1995

Each commetitive bid must be for one amount and at one price expressed as a tiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of multiple of 1/32nd of £1 and must be tor a minimal stock and for a multiple of Stock as follows: Amount of Stock applied for £590,000-£1,000,000 or greater £1.000.000 Unless the applicant is a member of the CGO Service, PAYMENT IN FULL AT THE PRICE BID must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account Number 58560009) quoting the reference "8TY2015", in unive not later than 1.30 pm on Thursday, 26 October 1995. The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are of or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID: competitive bids which are accepted and which are made at prices above the lowest accepted price will be estisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only. NON-COMPETITIVE BIDS A non-competitive bid must be for not less than £1,000 nominal and not more then £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal noctitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one

60 years of success and stronger than ever

Scania is not like other companies in the heavy truck and bus industry. We have been well in the black since 1935. How many other large industrial companies have been profitable for 60 years in a row?

Our formula for success is no secret. We have simply remained true to our ideals long-term.

why our customers are willing to pay more for a Scania.

Scania was a pioneer in developing a modular component system, allowing the customer to adapt the vehicle to his own needs. This freedom of choice makes it profitable to own and drive a Scania.

Every year, our technicians refine



60% OF ALL THE TRUCKS AND BUSES WE MANUFACTURE ARE BOUGHT IN EUROP

uction ignal

A SCANIA DOUBLE-DECKER BUS - THE AGS IN CENTRAL LOND

POLICE BOAT WITH TWO SCANIA VB ENGINES, TOTAL DUTPUT: 1,250 HP, TOP SPEED: 40 KNOTS

Scania was founded in 1891.

Our concept was to build vehicles for the most demanding of customers.

We started off making railway carriages, and then moved on to heavy trucks, buses, coaches, and industrial and marine engines. We decided that our products would last better and longer than our competitors'. And that we would concentrate on what we are best at – heavy vehicles and engines. Nothing else.

We have never lost sight of this ideal. Every Scania vehicle you see on the road is the outcome of what the most demanding customers have asked of us. This has been – indeed it still is – a good philosophy. Now that Scania is once again an independent company, we are stronger than ever.

Our products are built for an extremely long life, giving the customer a low cost of operation. That is

2,000 of the 8,000 parts needed to build a Scania. Half of our efforts are aimed at reducing the effect our vehicles have on the environment. Our customers are not satisfied with anything less.

Scania has operations in some 100 countries. We are among the world leaders in the heavy truck and bus and coach sector. Our engines have a strong international standing, and are used in such areas as combine-harvesters, water pumps and sea-rescue vessels.

We have not chosen the easy route. Demanding customers are never completely satisfied. This is the incentive for Scania employees. We are doing what we have always done: that little bit extra for the most demanding customers. We know that it is worth our while — sixty years of success is a long time.

For Demanding People



SCANIA IS A SUBSIDIARY COMPANY WHOLLY OWNED BY INVESTOR

collapse of Barings, the merchant banking group, goes con-siderably beyond the Bank of England's inquiry in July. It says not only that Barings executives should have stopped Mr Nick Leeson's fraudulent trading, but suggests that It

was deliberately covered up.
It accuses Mr Peter Norris, bead of investment banking, and Mr James Bax, regional manager for south Asia, of playing down the significance of a £50m accounting discrepancy which turned out to be part of Mr Leeson's losses, and says the two men tried to discourage investigations of the discrepancy.

The report suggests a "plan-sible motive" for Mr Norris's action was that Mr Christopher Heath, the former chairman of Baring Securities, had left the firm in 1993 when it incurred losses. Mr Norris "clearly had an interest in concealing the much larger losses amassed by Mr Leeson

Although the report admits the question of motive remains conjectural, it suggests that Mr Norris and Mr Bax's actions prevented the bank from discovering the losses held by Mr Leeson in error account 88888. It says that "timely action" could have prevented the collapse last February.

The report was written by Mr Michael Lim and Mr Nicky Tan. partners of Price Waterhouse Singapore, following an inquiry onder Section 231 of the Companies Act. The inspectors had better access to records of Baring Futures (Singapore) - Mr Leeson's trading unit - than the Bank of

The Singapore inspectors' criticisms of Barings' senior management divides into two pbases. The first was the period between July 3 1992 when Mr Leeson opened the 88888 account - and the end of 1994. The second phase was to January and February this year, just before the collapse: • 1992-1994: The inspectors say Barings failed to discover the 8888S account, and Mr Leeson's secret trading because of very poor reconciliation procedures. It also funded margin calls on hidden trading withwhy these funds were being requested by Mr Leeson.

The inspectors say Barings' claim that it was unaware of account 88888 implied that key individuals of its management were "grossly negligent, or wil-fully blind and reckless to the truth. They say the manner in which a "matrix management" structure was implemented within Barings led to incom-plete control of Mr Leeson.

They point out that the financial controls department headed by Mr Geoffrey Broad-hurst, group finance director, took a limited view of its own role. The department "never properly tracked the cost of funding" of Mr Leeson's trad-ing, and did not complete an attempt to do so during 1994. Although the margin payments on Mr Leeson's futures trades in account 88686 were

registered by Baring Securities

problems with margin payments on account 88888. Although London executives

say they were not told of this letter - which clearly referred to account 88888 - a reply was sent by Mr Jones. However, Mr Jones told the inspectors that he had "no real knowledge" of the contents of the letter, which was drafted for him by

This letter was followed by another on January 25 which questioned Baring Futures on its capital resources to meet potential losses and margin calls. The reply sent hy Baring Futures, but drafted by Mr Tony Hawes, group treasurer, said the whole assets of Barings stood behind the unit.

The second warning was the discovery by Coopers & Lybrand Singapore of a £50m discrepancy in Baring Futures' accounts. This sum was in fact

The inspectors contend that Mr Norris and Mr Bax attempted to discourage investigations

as "loans to clients", the inspectors point out that no steps were taken to verify the identities and creditworthiness of these "clients", who did not in fact exist.

They say that during 1993. Baring Securities knew that between fl5m and £20m of funds remitted for margin payments could not be reconciled; in 1994, the unreconciled sum grew to £100m; and in the first two months of 1995 the sum rose to about £220m without a satisfactory explanation.

They also say evidence of Mr Leeson's margin requests was detailed in full on a "margin feed", a one-page document. If this had been used by settlements staff, they could easily have resolved the unreconciled balance, but no reconciliation controls existed.

• January/February 1995: There were two key warning signals in January. One was a letter written on January 11 by Simex, the futures exchange, to Mr Simon Jones, the operations manager for southan accumulated loss which Mr Leeson had built up in account 888SS by the end of 1994, and bad tried to conceal in at the year-eod accounts,

The inspectors contend that Mr Norris and Mr Bax mounted an attempt to dis-courage investigations after being informed of this problem. Mr Leeson first told Mr Jones that the amount had arisen from a transaction between a US tovestment fund Spear, Leeds & Kellogg and Banque Nationale de Paris,

They say "within the next few days, at least six different versions of how the receivable had arisen circulated among Barings management". Yet the inspectors say executives "now claim that it never occurred to them that such explanations could have been fabricated or

Subsequently, the inspectors say that Mr Norrls "downplayed the significance of the matter and discouraged all independent investigations into the transaction, and the

Singapore's inquiry into the out making any real checks on east Asia, questioning some circumstances in which Baring Futures had supposedly paid such a large sum

They say Mr Norris also "took steps to conceal this matter from the other Baring directors, and to discourage Coopers & Lybrand in both Singapore and London from including the matter in their audit management letters". The Bank of England said only that a request was made to Coopers in Singapore.
The inspectors say Mr Norris

instructed Mr Broadhurst not to inform Barings' Asset & Liability Committee (Alco) in London which oversaw trading risks, about the discrepancy. When it was discussed by the committee on Fehruary 8, he said it was an operational error and asked for the discussion not to be minuted in detail.

in concealing the problem Mr Norris was assisted by Mr Bax, who tried to divert investigations by the external audi-tors and Mr (Tony) Hawes, the group treasurer, they say, alleging that Mr Bax encouraged Mr Leeson to present the external auditors with authorisation of the trade.

This comprised a letter allegedly signed by Mr Ron Baker, head of the derivatives group in which Mr Leeson worked authorising the transaction. They say that Mr Bax urged Mr Leeson to show Coopers this letter although he knew the contents to he false because the transaction had been unauthorised.

Both Mr Norris and Mr Bax have denied being involved in any plan either to underplay the significance of the discrepancy or to discourage independent investigations into the matter. However, we are unable to accept their denials, the inspectors say in the report's summary.

The inspectors also highlight a meeting between Mr Norris and Mr Leeson in Singapore on February 16. Mr Norris said the meeting had been short. lasting three to five minutes, hnt there is testimony from four eye-witnesses that Mr Leeson spent 90 minutes in a room with Mr Norris.

They say that Mr Norris had assumed leadership of Barings Securities when Mr Heath departed after losses, and he

What the inspectors say

"In retrospect, it seems probable that until February 1995 the Baring Group could have averted collapse by timely action. By the end of January 1995, aithough substantial losses had been incurred, these were only one quarter the eventual losses

Singepore Inspectors' Report

 Problems with Leeson's funding requests had been "thoroughly and promotly" investigated

The bank could have been saved if

 Efforts had been made to "overcome the inability" of management to understand complex aspects of Leeson's

 Worries over Liesson's command of both the front and back offices in Singapore had been tacked

 Reforms designed to help track major cash flows had been implemented in late 1994

■ Barings' high-level Asset & Liability Committee had taken

Leeson "to task for increasing his positions" - when they had told him several times to reduce them A full investigation had been made in January 1995 of the

so-called "SLK receivable" - a document relating to a £50m transaction which was in fact a forgery

 The Asset & Liability Committee had *understood and effectively addressed" warnings from Simex, the Singapore **Futures Exchange**

 Leeson's reasons for requesting very large amounts of funds in January and February 1995 had been "analysed and

"clearly had an interest in concealing the much larger losses that the Baring group had incurred via account \$5855 in the course of the three years that Mr Leeson had been in Singapore".

The inspectors also question Mr Norris's behaviour on the night of February 23 when Mr Leeson left Singapore. They say it is "surprising" he was one of the first to conclude that there had been unauthor-

ised trading, when he did not have detailed knowledge of Baring Futures operations.

According to the inspectors, when Mr Bax received Mr Leeson's resignation fax on February 21, he spoke to Mr Norris and they decided that Mr Bax should fly to Kuala Lumpur to locate Mr Leeson. The inspectors describe this as a "remarkably optimistic venture" which bore no fruit.

The conclusion of the report

Head was seen by some as

PETER NORRES

a 'control freak'

Mr Peter Norris, former bead of investment banking at Barings whose conduct is severely. criticised in the report, was the man chosen to carry out the delicate task of merging merchant banking and securities operations at Barings.

Mr Norris, 40, was given the task by Mr Peter Baring, the bank's former chairman, and Mr Andrew Tuckey, its deputy chairman, after the ousting of Mr Christopher Heath, the former head of Baring Securities

He had come to Barings as a graduate trainee in 1976 after. leaving Oxford University. He was singled out early in his career for his intelligence and grasp of detail, working in corporate finance and sterling bond underwriting. In 1984, he left to join Gold-

man Sachs in London when the US investment bank was making a push into the European market. He returned to Barings in 1987, and worked in Hong Kong as a corporate financier before moving to. London in 1992.

Mr Norris was assigned to set up a new equity capital markets group, which was supposed to bridge the gap between Barings Brothers, the merchant bank, and Baring Securities, the firm founded by . However, Baring Securities

had started to lose its way after a highly profitable period in the late 1980s when it had traded Japanese equity war-rants. The profits had helped to make Mr Heath Britain's highest paid businessman.

Mr Norris was put in charge of a recovery plan for Baring Securities which involved cutting operations in Europe and Australia, and reducing costs. He became chief operating officer of Baring Securities under Mr Heath. But Mr Heath and Mr

Andrew Baylis, one of Baring Securities managing directors. disliked the new strategy and believed the firm should continue expanding. They were ousted in spring

1993 and Mr Norris became chief executive.

Mr Norris Imposed a new management structure revamping back office controls. He faced resistance in Singapore from Mr Simon Jones, the chief administrative officer, who was fiercely protective of his antonomy.

Although Mr Norris was seen as an effective manager who had brought some order to Baring Securities, some executives found bim arrogant. Some also regarded him as a "control freak" whn was

unwilling to delegate. At first, he took direct charge of the equity derivatives operation within which Mr Nick Leeson worked. However, Mr Norris later handed over responsibility for this activity to Mr Ron Baker, who beaded a deht trading opera-

By late 1993, Barings bad decided to create an integrated investment bank combining Baring Brothers and Baring Securities. Mr Norris was promoted to chief executive designate of the combined opera-



James Bax, south-east Asia regional manager



is that "whether Barings' man-

agement knew of account 88888

is hardly crucial" because "if they did not know of it at the outset, they would have learned of it once they undertook" a number of simple steps to check the trading being carried out by Mr Leeson. Baring Futures (Singapore). The Report of the Inspectors appointed by the Minister of

Finance, Michael Lim Choo San and Nicky Tan Ng Kuang.

M ACCOUNT 88888 - THE CONCEALED LOSSES

Leeson hid trading from the outset

Mr Nick Leeson opened 88888, the account in which he hid his unauthorised trading, just two days after Barings began trading on Simex at the start of

That is one of several findings of the Singapore inspectors' report which demonstrate that Mr Leeson was concealing his activities and losses from the very start of his derivatives trading in Singapore.

The Singapore inspectors, who have had access to Simex data not made available to the Bank of England, show that Mr Leeson's secret futures and options positions grew slowly at first.
After losing S\$10.7m (£4.8m) between

July and October 1992, Mr Leeson brought the balance on the hidden 88868 account back close to zero in July 1993. This tallies with his own account, given in a television interview, of the relief he felt when he made back his losses in mid-1993.

But it appears that the main method by which Mr Leeson recovered his losses, initially made on futures positions, was hy selling options in a way which stored up trouble. When the market moved against him and his futures lost money, he tended to write "straddles", a combination of options. These produced an immediate pre-

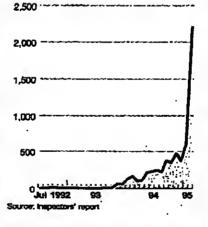
mium which reduced the deficit in the 888 account. But the options, on the Nikkel index of Japanese stocks, exposed Mr Leeson to a movement in the market in either direction. They produced an initial profit, with

a counternalancing risk of loss on expiry of the options contracts. It was a highly risky form of borrowing. From the timing of Mr Leeson's trad-

ing, it appears that the sale of these "straddles" was an attempt to plug the hole left by punts on the market which had gone awry.

For example, in November 1993, Mr Leeson's futures losses had mounted to S\$4.2bn from S\$788m the previous month. This coincided with Mr Leeson's most intense bout of options trading, which lifted the value of the options portfolio to a surplus of \$\$478m the following month.

Mr Leeson had good fortune in his options strategy in the second half of 1994. The straddles remain profitable if according to the inspectors' report.



the market stays within a narrow band and the Nikkei index was uncommonly

At the end of 1994, the options showed a total profit of S\$17.85bn

But their value collapsed after the Kobe earthquake, which triggered a sharp increase in the volatility of the Japanese stock market. In any case, Mr Leeson's profits on options in 1994 were not sufficient to offset his other losses. The inspectors' report produces no

evidence that Mr Leeson gained personally from his unauthorised trading activities. He has always claimed that he acted in the interests of Barings. However it makes a tantalising refer-

ence to a friend of Mr Leeson who profited from the Barings traders' misbooking of transactions. Between June and November 1994, Mr Leeson adjusted the prices of trades which be entered into with FCT, a US broker. FCT enjoyed a net gain of \$\$700,000, according to the inspectors.
Mr Daniel Argyropolous, the FCT

trader involved, was a close friend of Mr Leeson. The Singapore inspectors write: "In fact, Mr Argyropolous drove Mr Leeson to the airport when he fled on February 23. Mr Leeson also contacted Mr Argyropolous several times after he absconded, hefore he was arrested in Frankfurt." N.D.

SINGAPORE INTERNATIONAL MONETARY EXCHANGE

the integrity' of the bank

Mr Nick Leesnn traded, emerges only lightly scathed by the inspectors' report into the Barings collapse. The mer-chant bank - rather than the exchange or the Singapore authorities - bears the brunt of criticism.

Barings's activities which it expressed in two letters sent to the bank in January. The investigation finds that Simex did not follow them np with "urgency" and concludes that it should have promptly conducted a full and thorough audit of Baring Futures, the Singapore derivatives subsid-

Nor did Simex inform the Monetary Authority of Singapore, the central bank and main financial regulator, of its worries. Moreover, it may have been "overly liberal" in granting increases in position limits to Barings.

However, it notes that Simex managing the affairs of Baring that senior members of Bar. Singapore. N.D.

ings management made con-certed efforts to conceal the was in "relying on the integrity of supposedly venerable financial institutions". activities.

tained the Barings collapse has not damaged Singapore's growing reputation as a financial centre. Trading volumes have risen since the UK merchant bank crashed in Febru-

the organisation," Simex said. did not have responsibility for in the inspectors' judgment

true nature of Mr Leeson's The allegation of a cover-up

by Barings executives is being studied by the Commercial Affairs Department of Singapore, the authority which handles economic crime. The Finance Ministry, which comreport, said the CAD was conducting its own investigations into the affairs of Baring Futures.

Further prosecutions, apart from that of Mr Leeson, are unlikely. But the finance ministry said the CAD would investigate possible criminal

be seeking permission to leave

CALL FOR THE EXPRESSION OF INTEREST IN PURCHASING THE ASSETS OF "ROKA INDUSTRIAL ENTERPRISES S.A." OF ATHENS GREECE

ETHINIKI KEPHALEOU S.A., Administration of Assets and Liabilities, of 9A Chryssospiliotissis St., Athens, Greece, in its expecity as Liquidator of "ROKA INDUSTRIAL ENTERPRISES S.A.", a company with its registered office in Athens, Greece, the "Company"), presently under special liquidation according to the provisions of Article 46a of Law 1892/1990, by virtue of decision 4482/1994 invites interested parties to submit twenty (20) days from the publication of this Call, non-binding written expressions of interest for the purchase of the assets mentioned below, which are being sold as a single entity.

The Company was established in 1973 and was in operation until 1993, when it became bankrupt. On 30.9.94 it was placed under "special liquidation" according to the provisions of article 46a of L. 1892/1990, its objectives included the manufacturing of conton yarns, knitted fabrics and bed covers.

ASSETS OFFERED FOR SALE

a) A cotton spinning and weaving mill, dyeing and finishing units, cutting-sewing (confection) units. The whole complex consists of several buildings, the total surface of which amounts to approximately 16,000 sq.m., standing on a plot of about 52.914.12 sq.m. according to the ownership rides and 53.893. sq.m. according to the relevant topographic plan, containing anachinery, mechanical equipment, etc. The Company's trade name is also on offer.

The Company is located at "Grekia" at the 6th km of the National Larissa-Thessaloniki Road, in the region of Koulouri. On 23.12.38 the factory was leased to "INCO GMBH IMPORT-EXPORT", a limited liability company based in Krefeld (2241 Ostwall St., 4150 Krefeld) for a period of nine years. Legal action has been taken with a view to ending the lease. A relevant

b) A plot of land, adjorning the factory plot, at the 6th lon of the National Larissa-Thessalonaki Road, in the region of Koulouri. SALE PROCEDURE

The Company's assets will be sold by way of Public Auction in accordance with the provisions of Article 46a of Law 1892/1990 as supplemented by art. 14 of L.2000/1991 and subsequently amended and the terms set out in the Call for Tenders for the sale of the above assets, to be published in the Grock and foreign press on the dates stipulated by Law. (This is the third

SUBMISSION OF EXPRESSIONS OF INTEREST - OFFERING MEMORANDUM

For the submission of Expressions of Interest as well as in order to obtain a copy of the Offering Memorandum, please contact the Liquidator, "ETHNIKI KEPHALEOU SA. Administration of Assets and Liabilities, 9A Chryasospiliotissis St. Athens 103 61, GREECE, 7el. +34-1-523,14,84-87 fax: +34-1-321,79.05 (attention Mrs. Marika Frangakis).

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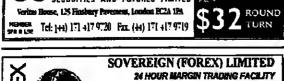
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Simex erred in 'relying on The Singapore International Futures or any of its clearing Monetary Exchange, on which members. If Simex erred, it

Simex had concerns about

iary.

Simex responded by saying that it was increasing efforts to identify "high risk" accounts and analysing settlements and margin calls more thoroughly, increasingly on a daily basis. Simex has main-

ary. No executives have resigned to take responsibility for lapses by the exchange. The exchange echoed the inspectors in putting the blame on Barings management. "The Barings case, as well as the recent Daiwa episode, have demonstrated that external controls alone are not sufficient to prevent loss by

acts hy persons in Singapore. The executive most strongly criticised by the inspectors, Mr Peter Norris, former chief executive of Barings investment bank, is in the UK. Another accused of involvement in a cover-up, Mr James Bax, Barings' former head for The key defence for Simex lies south-east Asia, is thought to

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NEWS: UK Shift signalled in British stance on IRA arms

By John Kampmer, Westminster Correspondent

The British government signalled yesterday that it may be prepared to drop its insistence that the IRA make an initial gesture on handing in its military arsenal before Sinn Fein is allowed to enter all-party negotia-

Tha concession was hinted at hy Sir Patrick Mayhaw, Northern Ireland secretary after talks in Belfast with Mr Dick Spring, the Irish foreign min-ister. The meeting was the latest in a flurry involving the UK, Irish and US governments. Sir Patrick flew immediately to London to confer with Mr
Anthony Lake, President Bill Clinnot work with any commission

ton's national security adviser. There are increasing signs that Lon-don and Dublin are narrowing their differences over the next phase, with pressure growing on Sinn Féin, the IRA's political wing, to co-operate with an international commission on paramilitary arms.

Sir Patrick aaid that he and Mr Spring agreed on the twin-track approach, which would combine the establiahment of the commission alongside announcement of a new round of talks involving the province's political parties.

against a backdrop of an insistence by the UK of unilateral "surrender" - its interpretation of any gesture on decommissioning arms. This refusal led to the postponement of an Anglo-Irish summit six weeks ago and appeared to deal a significant setback to the peace process.

Although the Britiah and Americans deny any time pressure, Mr Clinton's visit to the UK and both parts of Ireland at the end of next month is forcing the pace.
Sir Patrick stressed that all-party talks could not begin unless there was

a commitment to resolving all differ- can't see it at the moment, we would ences by purely political means. want to look at it very closely." Referring to Sinn Fein, he said there needed to be "confidence that the shadow of the gun or the bomber will not fall across the table by reason of any particular party having access to arms maintained by an organisation with which it is inexorably linked". Decommissioning was the only way of

achieving the necessary confidence. But in a subtle although discernible shift, he added: "It is theoretically possible that the commission might find some other means by which the necessary confidence can be guaranteed. If that was the case, and we Downing Street said the three con-

هكذامن الأحهل

ditions laid down by Sir Patrick for Sinn Féin's entry into talks - agreement on the principle of decommissioning, on the way it is carried ont, and an initial "confidence-building" gesture - remained.

Mr Lake, who the British see as one of its most reliable partners in Washington, said after meeting Mr Malcolm Rifkind, the UK foreign secretary: We did not bring proposals. We are trying to be belpful. I think we are being helpful in trying to talk to all of the parties."

The British government a planned £2bn (\$3.16bn) privatisation

UK NEWS DIGEST

of the nuclear electricity industry could pose safety risks. Mr Richard Killick, who was Scottish Nuclear's director of safety and quality until aix weeks ago, warned yesterday. Mr Killick said be was concerned about the safety implications of the industry's new management structure, its plans to increase profit-related remuneration and low staff morale.

Safety warning

over nuclear

power sell-off

He said the company's complicated management structure concentrated too much power in the bands of the company's chief executives when safety was best served by spreading the

has placed two much power in the hands of Mr Robin Jeffrey, chairman and chief executive of its Scottish Nuclear subsidiary, and Mr Robert Hawley, who holds the same posts at the Nuclear Electric arm.

"The main principle of safety in the nuclear industry is that not too much responsibility should be in one pair of hands". Mr Killick said.

Privatisation would "significantly reduce safety and in the longer term could have extremely severe implications", be said. He doubted there would be problems in the first two or three years after privatisation hut believed the "latent instability" being built into the system could cause problems in the

Mr Killick is in the course of making a submission to the Commons' trade and industry select committee, which later this month will begin an inquiry into the government's plan to sell British Energy, a new company formed by the merger of most of Scottish Nuclear and Nuclear Electric.

In response, Mr Tim Eggar, the energy minister, said the government would "not do anything to imperil safety". The Nuclear Installations Inspectorate, the industry watchdog "is there to protect standards and we will not do anything to undermine their role." Robert Peston, Political Editor

Government borrowing rises

The British government borrowed £20.4bn (\$32.23bn) in the first half of the financial year to meet the shortfall between spending and tax revenue. This is up £300m on the same period last year, even though the Treasury forecast in June that borrowing for the whole year would be a third lower than

Public sector borrowing in September was £3.7bn, slightly less than most City economists expected and down from £4.1bu a year earlier. But the figures did nothing to calm City uneasiness about the borrowing overshoot. Economists do not expect the overrun to deter Mr Kenneth Clarke, the chancellor, from announcing tax cuts in the November 28 Budget.

Robert Chote, Economics Editor

Linoleum plant expansion

The UK's only linoleum factory, at Kirkcaldy in Fife is to receive a £15m (\$23.7m) investment over the next three years

to hoost production and meet rising demand.

Forbo-Nairn, owned by the Swiss-based Forbo group, says linoleum has regained popularity in the last 10 years. With new colours it is now chosen for shops, night clubs and galleries, in addition to traditional users such as banks and local authorities. Hospital Trusts use it to create more welcoming interiors. Three quarters of Forho-Nairn's output is exported and the plant employs 500 people. James Buxton

sacked head of prison service

By Raymond Snoddy and Kevin Brown

Mr Derek Lewis, the sacked director general of Britain's Prison Service, is considering taking legal action against Mr Michael Howard, the home secretary, for breach of contract.

Mr Lewis, who spent much of yesterday in broadcasting studios defending his record in charge of the prisons agency and accusing the Home Office of repeated interventions in operational matters, has a contract that runs until September 1996 and if he seeks a High Court writ it would be with the support of the First Division Association, the top civil servants' organisation of which

It is clear that Mr Lewis, who was sacked on Monday just before publication of the highly critical report on the management of the Prison Service by General Sir John Learmont, intends to continue his public media campaign and that Mr Howard is the target.

The home secretary came. under growing pressure from MPs yesterday amid allegations about his evidence to the cross-party Commons Home Affairs committee on January \$5, 15 days after he told MPs that Mr John Marriott had been removed as governor of

Mr Howard told the commit-

tee that he had not spoken to Mr Lewis about the position of Mr John Marriott, the Governor of Parkhurst Prison, following prisoner escapes and insisted that the decision to move him was an operational decision taken by Mr Lewis. Mr John Major made clear he

was determined to stand by Mr Howard, insisting that "whatever action Mr Howard took was entirely proper and within his remit as home secretary." Labour intends tomorrow to hold a debate on prisons.

In a statement yesterday Mr Howard said it was Mr Lewis who suggested moving Mr Marriott from Parkhurst at the meeting on January 10. "The home secretary did not tell Mr Lewis that the governor of Parkhurst should be suspended immediately. The home secretary did not threaten to instruct Mr Lewis to suspend the governor of Parkhurst," the statement said.

Earlier yeaterday, Judge Stephen Tumim, the chief inspector of prisons, chal-lenged Mr Howard's argument that he was in charge of policy and Mr Lewis was in charge of operational matters. "If you are dividing policy and operations, it means the home secretary is not responsible for anything at all," he said on the Radio 4 Today programme.

Row grows over US company in Welsh expansion as UK car sales show rise

Ford in \$500m engine investment

left total registrations for the first three-

quarters of the year just 0.37 per cent higher than in the same period a year

Most of this month'a demand has been

coming from the fleet sector, with private

buyers accounting for only around 45 per

upturn did nothing to prevent the RMI

yesterday issuing a renewed call for con-

sumer confidence-boosting measures from

Nevertheless, carmakers and dealers are

becoming cantiously hopeful that strong

hints hy Mr Kenneth Clarke, the chancel-

lor, at the Tory party conference of tax

cuts both in next month's Budget and in

subsequent years will act as a stimulus

for sales to private motorists in the com-

cent of the market. As a result the recen

By Roland Adburgham in Bridgend, Wales

Ford of the US confirmed yesterday that it will invest £340m (\$537m) and create 480 jobs in building a new engine at its Bridgend plant in Mid Glamorgan. The company will receive £10m of regional aid from the Welsh Office.

The project, to make the Zetec SE small-car engine, will safeguard the jobs of the existing 1,300 workforce. Several hundred more jobs are likely to be created among component and other suppliers.

Bridgend's capacity will be donbled to more than 1m engines a year and at least 80 per cent of the output is expec-

Motor Industry Correspondent

the same period last year.

UK carmakera and Importers are

preparing for tomorrow's opening of the

London motor show at Earls Court buoyed

up by statistics showing a sharp upward lift in sales during the first part of Octo-

Informal industry figures show that

registrations of new cars so far this Octo-

ber are running 15 per cent higher than in

This is in contrast to a gloomy Septem-

ber, when registrations fell by 3.4 per cent

on a year-on-year basis, prompting a call

hy the Retail Motor Industry for govern-

ment action to reverse what it described

as a "worrying" downward trend in the new car market. September's performance

By John Griffiths

ted to be exported. Production will start in 1998. been making tremendous prog-

Tha investment was won for Bridgend in spite of competition from other Ford plants, especially at Valencia in Spain and from greenfield sites around the world. Mr Alex Trotman, Ford's chairman and chief executive, described the decision as a "close-run thing". The regional aid will be paid subject to investment and

employment criteria being met. Work at Bridgend came to a temporary halt for the announcement. Mr Trotman told the assembled staff: "You won because of our increasing confidence in Bridgend and our British plants. Our British

operations in general have

ownward sales trend

ago, at 1.59m.

the Government.

ress in the past 10 years and will have a very strong future if they continue to drive to be

Mr Trotman said Britain was already the largest centre for Ford engine production in Europe "and of course with this announcement it will become much bigger Plants such as Bridgend, he

said, "will have an increasingly important part to play as a global competitor". The all-aluminium Zetec SE

engine, described as of "the very finest technology in refinement and efficiency", will be fitted in the new Fiesta

About 150 automotive companies have sites in Wales, employing more than 20,000

investment in engine produc-

tion this year. In April, it said it was investing £200m at its

Dagenham plant in a new die-

of Ford Britain, said: "Bridg-

end is a good example of a

plant where management,

unions and employees work

together as a team. As a result.

Bridgend offers an increasingly

competitive cost base, reliabil-

ity of supply, excellent produc-

tion quality and a willingness

by the workforce and unions to

adopt efficient working prac-

Mr Ian McAllister, chairman

The absence of the so-called "feelgood factor" among private consumers is proclaimed by the motor industry to be primarily responsible for the expected fail-

Government statistics dne ont tomorrow, the first public day of the motor show, are also expected to show that car

production in the UK is continuing to run ahead of year-ago levels, despite a smaller than expected new car market in the UK in Angust and relatively weak markets in continental Europe. Motor show organisers are expecting

ure of the new car market to reach the

industry's hoped-for 2m cars barrier this

this year's event to be one of the best attended London shows on record, with some 40 cars making their UK show

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Denying bacteria a footbold

One field that has benefited especially from DuPont Nonwovens is the prevention of infection . For example, in most operating theatres you'll find the OR staff wearing disposable sterile gowns, and patients protected by drapes made of nonlinting DuPont SONTARA, a process whereby fibres are "hydroentangled" without the use of binders to form a strong yet soft material.

TYVEK, too, has important applications in the medical field. Its properties of high strength and gas

permeability make it ideal for sterile packaging. A surgical instrument, for instance, is placed in a tray, sealed with a peelable lid of TYVEK. and then gas-sterilized. Because the molecule-sized holes in the TYVEK are too small for bacteria to enter. the contents remain completely aseptic until they are needed.

> Beneath your feet or under your wheels

Another versatile non-woven from DuPont is TYPAR, a highly stable polypropylene sheet with exceptional strength and filtration properties which are exploited by architects, landscapers and road



Car covers of TYVEK protect against sun, snow and sand without trapping corresive maisture.

builders. As you drive down a new stretch of highway, buried deep below the road surfaca is a sheet of TYPAR that's helping stabilize the roadbed by separating different layers of material and draining away excess water, or controlling unwanted plant growth.

TYPAR's stability is also put to use in another unseen application: your carpet. As a backing for fashionable,



high quality tufted carpets, it is easier to work with than woven materials, and resists pattern distortion better.

In another new underfoot (literally) application SONTARA is increasingly being used in sport shoe linings - it is soft and comfortable and, importantly, its strong "wicking" properties carry away excess moisture from the foot before it can cause chafing or blisters.

> Protection for people in hazardous conditions

Chemical processing, crop and paint spraying, asbestos removal, toxic cleanups - jobs that are



ck at Old Man Winter: Roof linings of TYVEK "breathable" microfibre sheet shut out the elements and increase usable space, while " linings for poured concrete forms belp create a hard, dense surface that resists weather damage longer.

hazardous to the health are all too many, and to do them effectively the workers must be both protected and relatively unrestricted. The barrier properties, chemical resistance, strength and lightness of TYVEK work together to make TYVEK-PRO.TECH* limiteduse apparel the ideal specific protective clothing in dangerous situations. After use they can either be incinerated (when TYVEK burns it is converted into energy and water) or, when free of hazardous contamination, it can be easily recycled.



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backing and absorbents.

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BUSINESS AND THE ENVIRONMENT

Cleaner fuel in Chicago

Tisitors to Chicago should not be surprised if they notice a pronounced aroma of fried food emanating from the city's police cars.

Chicago cops are not hitting the snack bars any more than usual. The smell is coming from the police cars' engines, which have begun to switch over to vegetable oil instead of diesel.

With its Clean Cities Programme, lannched last year, Chicago is aiming to become an urban laboratory for alternative fuel sources. The city's environmental inspectors now drive to appointments in vans run on propane and ethanol. Rubbish collectors drive vehicles fuelled hy compressed natural gas. And public ntilities workers meander the city in electric vans.

Chicago now plans to become the first city in the world to use zero-emission buses in its tran-sit system. Three public huses will be equipped with hydrogen fuel cell engines next year, provided by the Canadian group Ballard for \$8m (£5m). "The bydrogen engines are the next step up, because they are zeroemission, not just low emissions," says Deborah Boldt. co-ordinator of the Clean Cities

Programme. Chicago plans to convert about 69,000 vehicles, both public and private, to low-emission fuel over the next four years. Large corporations such as UPS, as well as local delivery groups. have promised to begin change ing their fleets as soon as the city provides them with results

from the experiments. Chicago says the tests are going well, with reductions of at least 75 per cent in carbon monoxide, sulpbur and particle emissions in alternative fuel vebicles. Despite the city's extreme temperatures and poor road conditions, no operating problems have been reported.

The blg challenge, says Boldt, is cost. "These vehicles all work well but they are expensive to convert and run. That is wby we need to do these experiments, to get a more accurate idea of price

Victoria Griffith

"All the warning lights suddenly flashed red. Then we felt two big shocks," recalls Oleg Pshenychnykov, an engineer in the safety control room at Chernobyl in the early morning of April 26 1986. "We could all see the flames engulfing the fourth reactor in the night."

A repeat performance at Chernobyl is a recurring nightmare in Europe's capitals. To allay these fears requires a financial and environmental effort on a massive scale, which could serve as a model for other old and unsafe nuclear reactors across the former Soviet bloc. Plans that will decide Chernohyl's future are likely to take shape over the coming weeks in talks between Ukraine and western countries.

Ukraine initially rejected western overtures to close the plant, where two of four reactors are currently operating. In April, President Leonid Kuchma promised to close Chernobyl by 2000. But he demanded that the Group of Seven and the European Union pay for an alternative electricity source and save Chernobyl workers' johs. Ukraine initially put the cost at \$4hn (£2.5hn).

On paper, the two sides are far apart. The G7 and the EU last year proposed barely \$1bn in loans and grants. At the G7 summit in Halifax in June, the G7 countries welcomed Kuchma's promise and pledged to "assist the closure of Chernobyl". Western officials concede a compromise must be found.

As symbolised by a stained glass window at the plant gate depicting Prometheus giving fire to the world, Chernobyl makes what Ukraine desperately needs; about 5 to 7 per cent of all its electricity, amid a lingering energy and economic crisis largely caused by the disruption of trade with Russia, its main oil and gas supplier. Since the Soviet Union's collapse, Ukraine has run up more than \$4bn in energy debts to Russia.

Fears over unemployment are also likely to remain central in the talks about Chernobyl's future. The dominant view among Chernohyl's 6,000 workers is that the power plant should remain open. No large factory in Ukraine has been forced into bankruptcy, and it is unlikely that the government, working within tight political constraints, will start with Chernobyl.

Ukraine's nuclear establishment has gone on the defensive. Serbei Parashin, the Chernobyl director, claims \$300m in safety work "has brought results" and angrily brusbes aside suggestions that Ukraine, devastated by the first accident, might also beoefit from its closure. "Ukraine doesn't have a problem with Chernobyl," be says. Yoo can't get a better station."

The country's Atomic Eoergy Commissioo in July called Chernobyl "the best and most reliable" of



Chernobyl's uncertain future

The west wants to decommission the nuclear plant but Ukraine is reluctant to do so, says Matthew Kaminski

the country's five nuclear plants. It urged Kuchma to go ahead with plans to overhaul the station and keep it in operation for another 10 years. The second reactor was damaged by fire in 1991. But Ukrainian safety claims are

disingenuous. Among Ukraine's five stations, only Chernobyl uses the older RBMK reactors, developed in the 1970s. Cheroobyl engineers admit the reactors are significantly less safe than the later VVER model. Scientists from the Swedish nuclear authority and ABB Power Engineering, contracted to upgrade similar reactors at Lithuania's Ignalina station, say the RBMKs bave structural flaws not found in later models. The Soviet-built RBMK cannot be eocased in a pro-tective shell to stop the release of radioactive steam during an acci-

A US Energy Department report, released in July, named Chernobyl amoog the five east European plants that pose "significant safety risks". The study prompted renewed calls to allot funds to belp upgrade or close the troubled Sovi-

et-built reactors outright. A daunting environmental clean-up also looms at Chernobyl. The concrete tomb around the fourth reactor, hurriedly built after the explosion, has developed dangerous cracks and could oot withstand a severe earthquake, according to a July study by Alliance, a European consortium. It found leak-

ing nuclear waste trapped inside

already polluting local ground

he group proposed a \$1.6bn plan to replace the sarcophagus and clean up the stricken reactor. Radioactive waste would be stored in a new tomb and eventually disposed of. The unpopulated Chernobyl zone could be an ideal nuclear waste site, and might guarantee employment for plant workers displaced by an eventual clo-

The Alliance companies - Campenon Bernard (SGE). Bouygues and SGN of France; AEA Technology and Taywood Engineering of the UK; and Germany's Walter Bau - stand to win the potentially locra-

tive contract. But decommissioning Chernobyl remains the immediate goal. The G7 countries want a deal by December. a senior US administration official said last week. He added that about

\$1bn to \$2bn was available now. Negotiations held in Kiev last week made progress. Evhen Marchuk, L'kraine's prime minister, said: The figure of Sibo frightens people; perhaps it will be more, perhaps less." He expressed confidence that a deal could be done this year.

A foreign business lobby has grown around the Chernobyl debate. A European engineering consortium, led by Zurich-based Asea Brown Boverl in June pres-ented a \$3.7on plan to replace Chernobyl, which it hopes will win financial support in Kiev and western capitals. Westinghouse, the US group, and Germany's Siemens, are ilso active.

The companies stand to gain if the west and Ukraine agree on any plan that involves either the construction of a new station or substantial renovation work at existing

David Lascelles examines the economics of upgradeability

A longer life for green goods

product which can be constantly upgraded so that it never becomes obsolete would be the answer to a consumer's prayer. It would also be less wasteful and therefore more environmentally friendly. But would it be practical?

Planned obsolescence is now so embedded in industrial design that one's instinctive answer must he no, particularly in this high turnover age. As more product markets become saturated, the only way manufacturers can generate new sales is by introducing a fresh model which tempts the consumer back into the shop.

However, the economics of "upgradeability" are more complex than this, as a report from the UK Centre for Economic and Environmental Development

The report was produced in association with British Telecom and the Industry Council for Electronic Equipment Recycling, and looks at upgradeability prospects for three products: telephones, televisions and

personal computers. Taking them one by one. The average telephone these days has a life expectancy of only three to four years, and millions of them get thrown away or recycled each year. The report says that phones could be made upgradeable since one of the reasons why people buy new ones is to get additional features, such as number memory, or answering machines. If these features could be supplied as modules which could be clipped into an existing phone,

upgradeability would be achieved. However the report also points out that upgradeable phones would be more expensive to design and produce, and would probably be more bulky as well. Although these phones would create customer loyalty by locking people into a particular product, they would never generate profits as large as new sales. Research also suggests that people are, anyway, not very interested in buying such phones

There might be more scope for apgradeability in TVs because they are much more expensive products. But again, making them

the cost, which would reduce their appeal. Manufacturers argue that the best way of reducing the environmental impact of TVs is to make them more energy efficient rather than extending their lives.

In this context, npgradeability would actually be an impediment to greater environmental friendliness because it would discourage people from buying

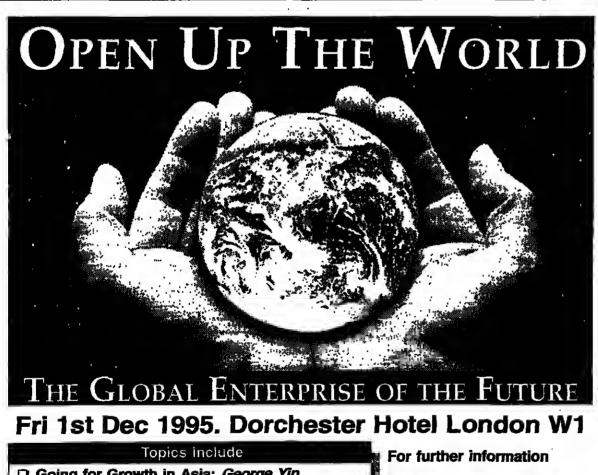
more energy-efficient sets.

The report is more positive when it comes to personal computers. Many machines are already easily upgradeable: they have "slots" for additional memory cards or other features. and their design is often modular. On the other hand, the pace of change is so fast that even the most flexibly designed machine can be out of date within a few years. Thus environmental issues do not really enter into it.

But even if environmentally-driven upgrading does not seem practical at the moment, the report envisages a period in the not too distant future when it might. The spread of "multimedia" services will spawn new types of equipment that will be part telephone, TV and computer. They could have an array of components that could be added or upgraded as the services develop. One example would be the introduction of "video on demand" decoding equipment, or a camera attachment to enable video phone calls. -

The report's conclusion however, is that upgradeability cannot be generally applied: it depends on the device. Product life extension is a valid strategy. but it must not detract from manufacturers' more traditional concern for quality and performance. It will only really work where it can be incorporated without affecting the product, the producer or the

*Making the most of life: Upgradeability. By Neil Bayley. 98pp. Price £2. Available from The UK Centre for Economic and Environmental Development. Suite E. 3 King & Partade. Cambridge CB2 1SJ.



- ☐ Going for Growth in Asia: George Yip, University of California, Los Angeles.
- The Power of a Global Brand: Robert Franke, European MD, McDonald's Development Company Limited.
- Creating a Global Organisation: Eric Salama, Group Director of Strategy, WPP plc.
- Scenarios for Tomorrow's World: Glen Peters, Partner, Price Waterhouse.
- The Global Shareholder: Philip Wright, Partner, Price Waterhouse.
- □ Risk Management in the Global Enterprise: David Squire, Partner, Price Waterhouse.

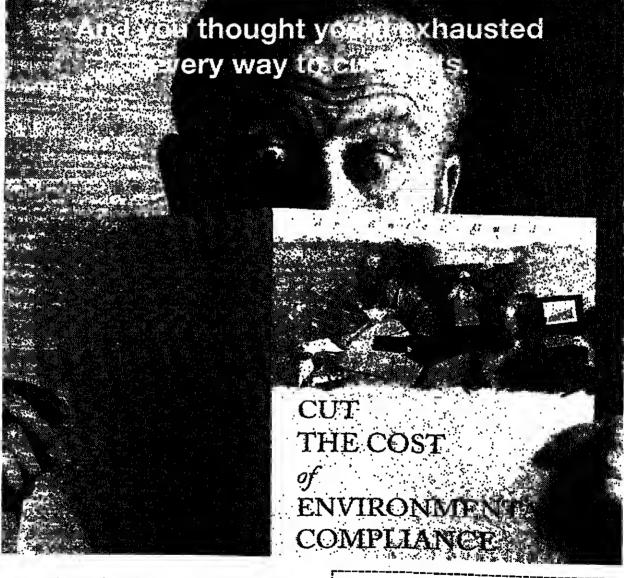
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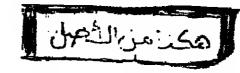
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ake hates his mother. That is not to say he is a bit irritated by her, or that from time to time they fail to hit it off; he really loathes her. If possible he dislikes his grandmother even more. Indeed he would prefer that she were dead, and has had a go at causing her death by setting fire to the newspaper beside ber as she was dozing in an armchair one evening. His most passionate hatred, however, is focused upon his younger brother. He daydreams of luring his brother to the edge of a cliff and then, like a tore-ador, tricking him into diving over the edge. Tomorrow night, in Episode 3 of Alan Bleasdale's six-part Channel 4 series, Jake's Progress, ha gets so fed up that he packs his bag and leaves home. Jake is six. It is extraordinary enough to have a

televisiou drama in which a small child genuinely dislikes one of his parents, but Bleasdale is intent upon breaking a good many more rules.

True, Jake's mother Julie, played by Julie Walters, is portrayed as an almost entirely reasonable person: a hard working uurse whose failure to endear herself to her sou results chiefly from the time consuming busi-ness of being sole hreadwinner, though her refusal even to try to win his affection does seem odd. Her hus-band, Jamie (Robert Lindsay) having lost his job years ago, has acted as bouse-husband, dotes on Jake, and gets on fine with the mothers at the playground, but he flatly refuses to face the reality of his situation. Nor-mally the feckless are seen as culpable, if not downright disgraceful, but Bleasdale has given us, in Jamie, a feckless father who is charming and even seems to have reason largely on

Perhaps Bleasdale's real triumph, however, is the grandmother, Grace. She, too, is a uurse, and we are supposed to revere nurses, yet this one has a sackful of nasty characteristics: she bullies her sick and weak willed busband, makes war on her grandson, and admits to liking Jeremy Beadle. At oue atage she even knees her sou-in-law in the groin, an action which, scripted by almost anyoue else, would induce hilarity or incredulity in the viewer. Yet within Bleasdale's story it seems entirely believable - even though Grace is being played by that veritable icon of middle-class niceness, Dorothy Tutin. It has not been an outstanding charac-teristic of his previous work, but here Bleasdale seems determined to run a rasp across the smooth surface of our

As you watch Jake's Progress, and it would be difficult not to continue, ouce begun, you feel that it has been created by someone who has been keeping a very sharp eye on the human race. The people in this serial are full of the paradoxes and inconsistencies which we recognise from life; just like all the people you know, they



Breaking all the rules: Robert Lindsay, Julie Walters and Barclay Wright in Alan Bleasdale's 'Jake's Progress'

Television/Christopher Dunkley

True master of family friction

are not quite like anybody else you know. It is surely this impressive feat of the imagination - creating characters who, despite (or even because of) their inherent contradictions are as credible as real people - which identifies the true masters of fiction. With so much television drama auch as Strike Force, Bliss, and London's Burning from ITV and Casualty from BBC1, what you feel is that it has been written by someone who has been keeping a very sharp eye on

Superficially it may seem that the formula drama writers achieve a closer simulacrum of reality than does Bleasdale who is quite happy giving his characters introspective monologues. No doubt people in real life do say the sort of things they say in Strike Force: "I have a chance to fly with the elite of the elite ... watch him John, watch him ... it's important this one you know... we're it -Nato's world police... the next three

weeks will be hell on wheels" and so on. Perhaps there are outfits beyond the confines of television series drama where groups consist of a token black, a token woman, a Welshman, a Scotsman, and a hoity toity English public ecboolboy. The fact remains that when you watch Jake's Progress you feel that what you are getting is real passion and real humanity, and when you watch Strike Force, Casualty or London's Burning (all devoted to highly active team jobs) what you feel you are getting is carefully calculated quantities of comedy, sentiment, trag-

edy, and so on. They are designed not to engage with us and bring us up against the perceptions of a Bleasdale but to pass the time pleasantly - to entertain us. That being so, it makes better sense to use the tried and tested rather than go for something original. Hence the counting-out routine of Strike Force ("Dip, dip, dip, my little ship . . . ") with a band of crack fighters being whittled down to the team which will perform some vital mission. We have seen it all many times before in everything from The Magnificent Seven to Top Gun. It was done well enough here but it would make more sense to review the performance of the Tornadoes than of the actors and actresses. If asked to make a 90-minute commercial for the RAF it might look just like

course drama of the Bleasdale sort can be unsettling. Not only is it unpredictable and more likely to shake preconceptions than reinforce them, but it also seems to have elements of that anger about English society which was such a powerful element in Boys From The Blackstuff. The high ratings won by series such as Heartbeat, London's Burning and Casualty prove that what many viewers aujoy in their television drama is the familiar.

the predictable, and the sentimental Even a science-based thriller such as ITV's Bliss with its seemingly mod-ernistic yarn about separating longlife genes from DNA and stealing people's blood was actually remarkably convantional. Its plot recalled both the Faust and Frankenstein stories. There seems little reason to com-

هكذامنالأحل

plain about formula drama of this sort when it is so clearly what so many people want, But it is as well to recognise what it is and not to fall for the pooh-poohing of the growing army of televisiou accountants. For them budgets and ratings are the only realities and they regard all other estimates of worth - the truth of the piece, the passion and humanity identified here in Jake's Progress - as pretentiousness. Since this autumn season contains not only Jake's Progress but a superb Pride and Prejudice from the BBC it seems that the accountants have not yet taken over entirely but eternal vigilance seems in order.

Theatre/Sarah Hemming

Quarrels in Restoration Venice

rely the most quarrelsome play in the Restoration canou, Thomas Otway's Venice Preserved opens with a resounding argument and carries on that way throughout. Every scene is a tug of war, peaceable exchanges soon turn sour, tempers run at fever pitch. Not just a means of propelling the tragedy forward, the constant wrangling reflects the push-me-pull-you state of mind of the hero, Jaffeir, who finds himself hurtling back and forth, torn between love and loyalty, public and private duty. It also suggests the texture of the world he inhabits: Venice here is a corrupt, polluted place, where every noble aspiration is cur-

dled, and bonour and virtue quickly decay. The lugubrious architectural splendour of Julian McGowan's fine set for the new Almeida production gives concrete form to these ideas. A stage version of a Venetian geway, its marble walls, pillars, statues and high iron gates suggest a world of oppressive might and moral cul-de-sacs. Contained by this gloomy luxury, Ian McDiarmid's beautifully sculpted production drives the action up and down a narrow tunnel. It is a skilful staging, atmospheric and marvellous on the eye, but it never sounds the depths of the tragedy. This is partly because the central three-

soma never quite move you enough indeed, by the end, you are weary of them, particularly of Jaffeir. Jaffeir is a character who makes Hamlet look the model of decisiveness - a hopeless vacillator, he is torn between his loyalties and tormented by the many shades of right he perceives where others see only black and white. When his friend Pierre conscripts him to a conspiracy to overthrow the corrupt senate, be realises he must murder his wife's father among the senators. Wife and friend are soon battling for his heart and he is ripped apart by these two strong charac-

David Bark-Jonea plays him like a scalded puppy, brown eyes pleading from beneath a rumpled brow. Even his walk wavers, as if be had literally got cold feet, and he delivers all his lines in the same expressionless monotone - including urgent pleas to heaven. This is effective in suggesting internalised shock, bewilder ment and terror. It works too within the framework of the trio, his listlessness con-

trasting with the energy of Belvidera and Pierre and with their physicality. But it is a reading that leaves him high and dry when it comes to emotional climaxes, and eventually you get so tired of his hangdog demeanour that you want to bang his head off one of the marble pillars. Ray Fearon is very strong as the reso-

lute Pierre, all attractive energy and decisiveness, while Alice Krige is a whirlwind of feminity and passion as Belvidera. Yet none of them inspires enough sympathy to make the tragic ending remotely moving. McDiarmid finds every nook of humour in the play, however. Otway's wonderfully ripe insults hurtle across the stage and there is a splendid comic performance from John Quayle as a grotesque, lascivious senator, who makes his eutrance dribbling sordid eudearmeuts and who sums up all that is bypocritical and corrupt about the Venice that is preserved The production finds all the subtleties and moral twists in Otway's play, but fails to convince you of its power as a tragedy.

Continues at the Almeida Theatre, London N1 (0171-359 4404).

Alternative theatre

Eddie Izzard – **Definite Article**

he pages of the gigan-tic book which forms the backdrop part to reveal Eddie Izzard slouched louchely on a sofa atop a staircase made of several more huge tomes. Tha design has virtually nothing to do with the two hours that fol-lowed - he just admits that he fancied a big entrance this time round.

As Izzard has grown in confidence, his set has paradoxically become less free-form. Although be still makes the occasional mock-note after an erratic ad lib - "nope, lost you there" - most of his bizarre lateral connections feel less like all-out rabbling, as when he immediately launches into a discussion of the set's orange colour, wondering whether, when Buddhists and extreme Protestants live close at hand, one group has to wear an away

However, he continues to make wild leaps which bemuse even while they delight. Eddie can make connections which are alternatively contrived and inspired almost in the same breath; his school-hand segment moves on with a shaky "and poetry is like music, with less notes and more words", but within a minute he has somehow travelled from Rabbie Burns to a group of mice re enacting The Italian Job.

Having decided a few years ago to include a sizeahle sequence about his heterosexual transvestism, Izzard has simply now digested this fact into the background fabric of the current show. The wry choices of rock music played immediately before each half of his act are Aerosmith's Dude Looks Like a Lady" and the Kinks "Lola" respectively, but the on stage references are

limited to a passing remark about being caught shoplifting make-up at the age of 15, "I was let off with a warning

about colour coordination. His stage clothes, as in the publicity photographs, are camp hut androgynous: wetlook strides and a scarlet douhle-breasted Gaultier jacket. These would not even merit a mention but for the outstanding point that, on the press some 20 minutes of spontaneous material when a button detached itself from the jacket.

Most others would have breezed onward without a pause. Izzard, however, attracts the kind of fans who throw a miniature sewing kit onto the stage, offering too good an opportunity to pass up. He kept the laughs coming until he had re-tethered the offending article to his right breast, then uonchantly picked up his planned set in the middle of the sentence from which he had veered off earlier.

Izzard's strength lies not just in the all out absurdity of his imagination, but in the mastery with which he structures and patterns his material. As with that other wild rover of the aurreal, Keu Campbell, emblems thrown out seemingly in passing recur much later in the show: those mice with their well-laid plans crop up in every other sequence, and 90 minutes after its original gag the duck he mentions in his final routine is still wearing borsesboes. Eddie lzzard, to adapt one of his own jokes, is a fool to be suffered most gladly.

Ian Shuttleworth At the Shaftesbury Theatre, London WC2. until December

The Second Coming

fter Resurrection, Original Sin and Hell Bent, there could really only be one title for Nigel Charnock's compilation of "greatest hits" from his performance trilogy: The Second Coming. He confronts his audience with torrents of emotional and at times physical nakedness, and if he is less than 100 per cent successful he nevertheless risks more in two hours than many performers in two years. Charnock has eschewed the

pany that he co-founded, in favour of as much impurity as possible. From his first words - a rain of bilious frogs upon every target he can think of it is apparent that this is a man out to cover all couceivable angles of sex and relationships, and to cover them with his own often deliherately unlovely secretions.

His stuttering rapid-fire verbal rifts are the least consistent segoences in terms of impact, but generally he moves too quickly for his failures to catch up with him. He switches from gibber to elegy to dance to music - deploying a rich voice on everything from torch songs to a brash manifesto of polymorphons perversity (imagine early Bette Midler rapping), accompanied by Nicholas Skilbeck on piano. However, as much as The

Second Coming is a vibrantly queer" show, these are at root the pains of any sexually and emotionally active adult. Charnock may change into a span-gled cocktail dress for a number or two, but his costume does not detract from the power when he sings The Man

that got Away.

Above all, his dance sequences are breathtaking. They seem to have a direct line to his spirit, desires and sufferings; he immerses himself in movement like an ego martyr, thirsty for the flames. This is not an idle simile: a passage pure" dance of DV8, the com-pany that he co-founded, in movingly with Charnock rising sleepless in bed enters another dimension when the duvet is cast aside to reveal a full-sized cross with which be proceeds to execute an awesome dance macabre. In the final section of the show, he flings his naked body repeatedly against the floor with frightening violence, euding ou Skilbeck's sombre we are all meat

> Charuock deliberately describes his pleces as "shows", thinking primarily of the spirit of blatant performance which underpins them, but the word is equally redolent of exposure. He leaves nothing hidden; the result is far from pleasant, but is undeniably strong stuff.

> > I.S.

Drill Hall, London WC1, until Oct 28 (0171 637-8270).



Alice Krige and David Bark-Jones

■ AMSTERDAM

Stedelijk Tel: (020) 573 2911 Christiaan Bastiaans: giant video installation; to Nov 26 OPERA/BALLET Het Muziektheater Tei: (020) 551

Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 20, 23, 25, 28

■ BALTIMORE

CONCERTS Symphony Hall Tel: (410) 783 8000 Baltimore Symphony Orchestra: with soprano Harolyn Blackwell, mezzo-soprano Delores Ziegler and tenor Karl Dent. Robert Shaw conducts Barber and Mozart; 8.15pm; Oct 19, 20, 21 OPERA/BALLET Lyric Opera House Tel: (410) 727

La Traviata: conducted by

Alfredo Silipigni and directed by Frank Corsaro. Cast includes Daniela Longhl/Maria Pellegrini, Nicole Biondi and Steven Rainbolt; 8.15pm; Oct 18 (7.30pm), 20, 21, 22 (3pm)

Alasteir Muir

■ BERLIN

OPERA/BALLET Deutscha Oper Tel: (030) 34384-01

Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani; 7.30pm; Oct 21, 25

■ FRANKFURT CONCERTS

Alte Oper Tel: (069) 134 0400 Radio Symphony Orchestra: Elijahu Inbal conducts Schumann and Mahler, 8pm; Oct 18 (7.30pm), 19, 20 St. Petersburg Philharmonic

Orchestra: Yuri Temirkanov conducts Rachmaninov'e "Symphony No.2" and selected pieces from Prokofiev's "Romeo and Juliet"; 8pm; Oct 22

LONDON

Queen Elizabeth Hall Tel: (0171) 928 8800 The Chinese New Tide: with soprano Judith Mok and baritone Shi Kelong. Tan Dun conducts a programme of first generation Chinese composers such as Qu Xlaosong and Chen Qigang; 7.45pm;

Royal Festival Hall Tel: (0171) 928 Guitar Encounters: an evening of guitar, flamenco and Andean music

with John Williams, Paco Pena and Inti-Illimani: 7.30pm: Oct 24 Philharmonia Orchestra: Christoph von Dohnányi conducts Richard Rodney Bennett and Mahler; 7.30pm: Oct 19

 The London Philharmonic: Roger Norrington conducts an all-Berlioz mme; 7.30pm; Oct 18 The London Philharmonic: with mezzo-soprano Jennifer Larmore, bass José van Dam and the London Philhamonic Choir. Roger Norrington conducts Berlioz's "Tha

Damnation of Faust"; 7.30pm; Oct OPERA/BALLET Royal Opera House Tel: (0171) 304 4000

 The Marriaga of Figaro: by Mozart. Conducted by Bernard Haitink/David Syrus and directed by Patrick Young. Soloists include Felicity Lott/Cheryl Studer, Andrea Rost/Barbara Bonney and Robin Leggate/Ryland Davies; 7pm; Oct 18 Tosca: by Puccini, Conducted by Simone Young and directed by Jeremy Sutcliffe. Soloists Include Galina Gorchakova, Johan Bohta and Francis Egerton; 7.30pm; Oct

MUNICH

GALLERIES

Haus der Kunst Impressionist Masterpieces: from the Barnes Collection. Artists include Matisse, Picasso, Van Gogh and Gaugin; to Oct 22

■ NEW YORK

CONCERTS Carnegie Hall Tel: (212) 247 7800 BBC Symphony Orchestra: with violinist Nadja Salemo-Sonnenberg. Andrew Davis conducts Carter, Glazunov and Brahms; 8pm; Oct 25 Maurizio Pollini: pianist piays an

atl-Beethoven programme; 7.30pm; Oct 23 Pittsburgh Symphony Orchestra: with flutist James Galway. Lorin Mazzel conducts Gould. Mercandate, Maazel and Bartok;

8pm: Oct 27 Pittsburgh Symphony Orchestra: concert performance of Wagner's "Tristian and Isolda" with conducted by Lorin Maazel. Soloists include Carol Yahr, Heinz Kruse amd Falk Struckmann; 8pm; Oct 28

 Symphony Orchestra of Montreal: with planist Yefim Bronfman. Charles Dutoit conducts Berlioz'a "Les Francs-Juges", Saint-Saens' "Piano Concerto No.2", Chausson's "Symphony in B Flat Major" and Ravel's "Spanish Rhapsody"; 8pm; Oct 21

 Symphony Orchestra of Montreal with planist Louis Lortie. Charles Dutolt conducts Berlloz'a "King Lear, Overture", Beethoven's "Piano Concerto No.4", Martinau'a "Symphony No.5" and Enesco's "Romanian Rhapsody"; 3pm; Oct 22

PARIS

CONCERTS Champs Elysées Tel:(1) 49 52 50 50 National Orchestra of France:

with planist Andreas Haefliger. Claus-Peter Flor conducts Mozart and Bruckner, 8pm; Oct 21 GALLERIES Centre Georges Pompidou Tel: (1)

0100

42 77 12 33 Feminina and Masculine: the sexuality of art. Exhibition exploring sexual identity and its effect on

twentieth century artists; from Oct 19 to Jan 8

■ STOCKHOLM **GALLERIES**

Pro Persona Tel: (08) 20 44 27 Kjell Engman: contemporary sculptures in glass and metal; to Nov 11

■ VIENNA CONCERTS

sellschaft der Musikfreunde Tel: (1) 505 1363 Czech Philharmonic: with soprano Angela Maria Blasi and

bass-baritone Thomas Quasthoff.

Gerd Albrecht conducts Eben, Mahler and Dvořák; 7.30pm; Oct 28 Viennese Symphony Orchestra: Rafael Frühbeck de Burgos conducts Wagner, Brahms and Beethoven; 7.30pm; Oct 21, 22 OPERA/BALLET Wiener Kammeroper Tel: (1) 512

 The Turn of the Screw, by Britten. Conducted by Edga Selpenbusch/Joan Grimalt. Soloists include Mark Duffin, Olga Schalaewa and Felix Purzner/Ingo Petersen; 7.30pm; Oct 21, 23, 25, 28

■ WASHINGTON CONCERTS

Kennedy Center Tel:(202) 467 4600 BBC Symphony Orchestra: with violinist Nadla Salemo-Sonnenberg. Andrew Davis conducts Delius. Glazunov, Carter and Bartók; 2pm;

 National Symphony Orchestra: with planist James Tocco. George Manahan conducts Debussy's

"Iberia", Stravinsky's "Concerto for Plano and Wind Instruments" and Rachmaninov's "Symphonic Dances"; 8.30pm; Oct 19, 20, 21, 24 National Symphony Orchestra: Sir Neville Marriner conducts Bartók, Mozart, Nelson and Beethoven; 8.30pm; Oct 26, 27, 26

 Pittsburgh Symphony Orchestra: with violinist Hilary Hahn. Lorin Maazel conducts Mendelssohn and Bartók; 8pm; Oct 25 GALLERIES Hirschhorn Museum

Tel:(202)3572700 Directions-Martin Kippenberger: works on paper. Approximately 50 settrical drawings on hotel stationary by the german artist along with some of his collages and drawings on paper; to Oct 22 National Gallery Tel: (202) 737 4215

 Winslow Homer: more than 225 works including 86 oils by the American artist; 8pm; to Jan 28 OPERA/BALLET Kennedy Center Tel: (202) 467 4600

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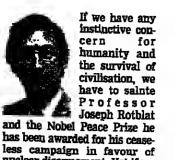
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Ian Davidson



has been awarded for his ceaseless campaign in favour of nuclear disarmament. Yet if we are thinking of international realpolitik or practical nuclear policy, we cannot easily avoid a nagging doubt over exactly what, in the end, he has achieved to deserve it.

By the same token, it is difficult to shut out an equally powerful feeling of ambivaence about the motives of the Norwegian Nobel Peace Prize Committee in making the award. Mr Francis Sejersted, chairman of the committee, has said the prize was intended, in part, as a protest against continued nuclear testing by France and China. No doubt this sentiment is widely shared, and not just in the countries nearest to the French test site at Mururoa. But will the reputation of the Nobel Peace Prize really be enhanced if it is hijacked as an instrument of political protest?

Prof Rotblat's credentials for the prize are at once impecca hle and misleading. As a Brit-ish physicist (of Polish extraction), he was one of the pioneer scientists who worked on the US atomic bomb project in the closing months of the second world war. But he walked out of the project before Hiroshima ecause he believed that after the defeat of Hitler, the atomic bomb was not now required for victory and should not be developed further. Thereafter. he devoted much of his life to campaigning against nuclear weapons in company with an international fraternity of like-minded fellow scientists in the Pugwash group, which he helped to found after a cooference in 1957 at Pugwasb in

Fifty years later, it seems to me that there are three views you can form of Prof Rothlat. and of his companions in the scientific anti-nuclear cam-

You can regard them as heroes and saints, striving to bring the world to its senses at the edge of the abyss of

Yon can believe that he and his friends were unrealistic scientists, well-meaning bot polit-

Heroes and villains

The message from the Nobel committee may fall on deaf ears

ically naive, who totally failed to develop the political influ-ence needed to neutralise the danger posed by nuclear weap-

Or you can believe that his campaign was largely unhelp-ful to the political strategy of the west for standing up to the Soviet threat during the cold war, since it implied that the two nuclear superpowers were equally dangerous. The extreme version of this view is that, even if the Pugwash scientists were not conscious fellow-travellers, their campaign nevertheless chimed with the purposes of the Soviet Union

The French decision to resume nuclear testing is grotesque, reckless and irrational

which sought to portray the US as an important threat to world peace.

I prefer to place him in the category of hero and saint. Fifty years on, many are still borrified that it was the US, a standard-bearer of democracy and civilisation, which dropped the first atom bomb on Hiroshima. Some of today's potential nuclear weapon states pose a much greater threat to world peace than the US, and today's nnclear weapons are many times more destructive than the Hiroshima bomb. If the physicists do not warn us of he dangers, who will?

Yet have their warnings had any effect? Once the US had developed the atomic bomb. does anyone suppose that Stalin could bave been persuaded to refrain from develop-Ing a bumb of his own? Or Britain? Or France? Or

India? Or Pakistan? Or Israel? On the contrary, the only serious restraints on nuclear weapons have come, either as a response to the intensity of the nuclear threat, or from the relaxation of the political threats. The pivotal arms control agreements of 1968-72, the first Strategic Arms Limitation Treaty (Salt I) and the Anti-Ballistic Missile Treaty were the direct result of the fact that the Soviet Union had achieved a balance of terror with the US. The recent East-West Strategic Arms Reduction Treaties (Start I & II) were the direct result of the end of the cold war and the relaxation of the east-west confrontation. Neither owed anything significant to campaigners for

nuclear disarmament. The French decisinn to sume underground nuclear testing is grotesqua, reckless and irrational. But if these tests are deeply offensive, it is not primarily because they may be physically dangerous by releasing radioactivity, but because the political message they deliver about President Jacques Chirac's attitude appears to be narrow and nationalist.

The nuclear powers today face one very large and difficult problem in the aftermath of the cold war, and one quite small problem. The large problem is to work out whether nuclear weapons have any useful function, and if so, what it might be. Almost by definition, it will be a much less central function than it was, and some leading security experts now advocate a total world ban on nuclear weapons.

The case is not yet accepted. however. So the small problem facing the nuclear powers is bow to keep existing weapons operational: governments must be sure they are safe and reliable. But testing is not the only way to achieve that - and for the French to rely on it, six months before next year's treaty banning all nuclear tests, is intellectually incoherent. They should be told so, in no uncertain terms.

But they will not bear the message if it comes from the Nobel committee, and they will reject it if it comes from the European Commission in Brussels. This is a political issue, of France's political relationship with the rest of the world; and it should come mainly from france's leading partners, notably in the European



be world of interna-

tional trade and

investment sometimes

seems a fickle place.

Having "discovered" China two

years ago and India last year,

it is now eyeing Asean, the

seven-nation grouping of

south-east Asian nations, as a

On a visit to the region last

month, Mr Jeffrey Garten, the departing US under-secretary

for commerce predicted that,

apart possibly from Mexico,

Asean would be his country's

largest emerging market trad-

ing partner by the turn of the

century. The US was stepping

up its trade promotion efforts

in a bloc with a gross domestic product that is expected to

more than double to \$1,200bn

(£761hn) in less than a decade.

It is not difficult to see why interest is growing. In Malay-sia, Thailand and Vietnam,

Asean includes some of the

world's fastest-growing econo-

mies. In Indonesia it incorpo-

populous ones. Other members

- Singapore and the Philip-

pines – hardly lack dynamism.

There is talk of expanding the

group to take in Burma, Cam-

bodia and Laos and make a

Now trade liberalisation is

providing added spice. After

decades of sheltering behind

protective barriers, Asean

countries are showing new

determination to open up their

markets. This year Thailand,

Indonesia and the Philippines

have launched unilateral pro-

grammes to cut tariffs. Asean

is discussing proposals to bring

forward its own plan for a free

trade area to the year 2000 from 2003, itself an advance on

To those used to the region's

protectionist ways, the change

in mood seems a little suspect.

Yet there are reasons why the

pace is being forced. Ecocomic

success has bred a new

self-confidence - intra-Asean trade grew 40 per ceot to

US\$111bn last year - but

the original target of 2008.

market of 500m people.

rates one of the world's most

place to do business.

GDP growth rate (% per annum)

Asean: attracting the world's attention Foreign direct investment (Sm)

> 2,887 5,575 4,888 6,730 6,829 Indiand 1,105 1,775 2,444 2,014 2,116 1823

South-east Asian countries are opening up for trade, say Kieran Cooke and Peter Montagnon

A liberal pinch of eastern spice

sonth-east Asia is concerned about retaining its competitive advantage in attracting the foreign investment needed to

drive its expansion.
"When other large countries. like China and India, have liberalised their economies to attract investments, Asean countries must respond to this competition." Sultan Hassanal Bolkiah of Brunei told a recent Asean meeting. "We have to take some risks with our overprotected domestic industries if we are not to be left behind.

Asean is always alert to the challenges posed by lower labour cost countries," adds a Singapore official. "That is a major incentive for Asean countries to liberalise and bring down trade barriers and other impediments to business. It all makes south-east Asia that much more attractive for

foreign companies. "The trend in Asean is the exchange of intermediate products where companies source in bulk," adds Mr Julius Cesar Parreñas of the Center for Research and Communication in Manila. "Asean is one market where investors can segment production and reap

economies of scale." One of the more surprising aspects of the change in mood is the way it has affected the two most protected countries among Asean's original members: Indooesia and the Philip-

"Since we have been lagging behind, we have to run double fast," says Mr Cielito Habito, secretary of planning in the Philippines. "We want to Philippines. achieve global competitive-

Competition for inward investment from China and India is one of main reasons for the sudden appetite being shown for free trade by Indonesta. "We have taken steps to eliminate a number of licensing requirements, control over investments and import barriers that increased the cost of doing business in Indonesia, says President Suharto. In May Indonesia cut tariffs by a quarter and set out a schedule of future reductions. Almost no tariffs will exceed 10 per cent

by the year 2003. For some countries the new interest in free trade also has a strategic dimension. As Asean grows in size and economic strength, it will be a better political counterweight to China. Beanomic integration provides the best security. "It's the only viable option," says Mr Domingo Siazon, Philippines foreign minister.

Asean officials say change in mood also reflects a different attitude in the business community. While some industries such as the petrochemical sector in Indonesia and the Philippines have continued to clamour for protection, others have been more aware of the need to integrate themselves into

global production chain. Thailand's automotive industry is one sector where progressive liberalisation since

paid off. It has attracted largescale foreign investment. Exports of vehicles, particularly motorcycles and parts, rose 48 per cent to Bt7.12bn (\$284m) in the first eight months of this year.

Last month Asean economic ministers surprised sceptics by signing a draft agreement pledging to open up financial services, aviation, tourism, communications, transportation and construction.

ut progress towards liberalisation has been slow in some areas, particularly agricultural products. Sectors such as insurance have been particularly reluctant to see foreign competition. While Thailand might countenance an open skies policy on air transport, Malaysia looks much less keen, says one Thai trade expert.

Most Asean countries also retain a host of non-tariff barriers involving customs regulations, specifications and subsidies. Asean has a long way to go before there is, for instance, any harmonisation of customs

procedures Nor is it moving towards Buropean-style liberalisation of border controls: while Singapore and Brunei are leading the charge for free trade and already have broadly open markets, they are firmly opposed to free movement of workers across their borders.

The crucial factor overcom-

tries, which pride themselves cal will to speed up the liberalnembers which default

Bai

Some international trade economists believe that Asean's move towards free trade also reflects a recognition that the grouping has a credibility problem where free trade is concerned. "Asean's been around for a long time and they really haven't done anything," said one. Efforts to create a regional free trade area through the broader Asia-Pacific Economic Co-operation forum have focused Asean gov ernments' attention on trade

iberalisation. Many Asean officials are sceptical of Apec's ability to advance quickly, according to the economist, and see their own efforts as a more viable alternative. Some, such as Malaysia, are wary about what they see as a US tendency to use Apec to pursue its own particular sectoral interests. Asean's move towards liberalisation has two striking aspects. One is that it is being carried out on the so-called most-favoured-nation, basis under which benefits such as low tariffs are available globally rather than just restricted to other members of the group. This undercuts any attempt to make the broader Apec an exclusive trading bloc.

The other is that, in the best traditions of Asean, liberalisation is proceeding on a voluntary basis with only a minimum of peer pressure. Quite simply, the member countries have begun to accept that free trade is good for them.

Says Mr Yeo Cheow Tong, Singapore's minister for trade and industry: "We will be doing our domestic industries a long-term disservice during these few crucial years if we do not prepare them early for global competition."

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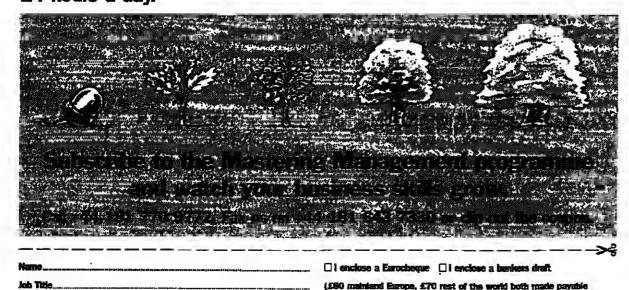
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THE EDITOR

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Maastricht treaty back to front on convergence and Emu

From Mr Avinash Persaud. Sir, Two cheers to Paul De Grauwe ("An easier road to Emu", October 17) for taking the Emu debate a notch beyond narrow national concerns and pointing ont that, however desirable a destination European Monetary Union may or may not be, the ronte to Emu laid out in the Maastricht treaty is particularly

risky.
Indeed, Professor De Grauwe
is too kind. The Maastricht route of prior economic convergence will lead Europe away from Emu, not towards it. Unless they are prepared to let their economies sink into another recession, European governments will not be able to cut back their fiscal deficits

From Mr Dany Jacobs.
Sir, Your article on Fokker
"A marriage of mistrust"

(October 13) somewhai misrep-

resents some of the findings of

our TNO study on the signifi-cance of Fokker for the Nether-

lands (International Company

News: "Fokker puts govern-

ment on the spot". September 25). In this study we have stated that Fokker is part of a

larger Dutch "aviation cluster which, through important play-ers like KLM, the Schiphol Air-port, the knowledge infrastrucif, at the same time, they are being forced to shore up their currencies with high interest rates. This dilemma is today weighing on interest rate and currency markets in France. Substantial economic conver-

gence can only occur if it is facilitated by an environment of low interest rates and a weak D-Mark. But here lies the paradox. A weak D-Mark, which restores Germany's competitive position, will erode Germany's motivation for moving to Emu. The German public will only be ready to give up the D-Mark when it is so strong that they can clearly see the unemployment costs of If Emu is to occur, therefore,

Fokker role in Dutch aviation 'cluster'

ture (especially the National Aerospace laboratory and the faculty at the Technical Uni-

versity of Detroit) and Fokker itself, forms a kind of Dutch centre of gravity within a clearly internationalised indus-

We calculated that this

Dutch aviation cluster employs

about 63,000 people. This does,

however, not mean that they all work in Fokker's supplier

industries as is suggested in

We calculated that for each

it will probably do so the day after the exchange rate mechanism appears to be on the verge of exploding under the pressure of a strong D-Mark. In which case, we should concentrate more on trying to strengthen convergence after Emn, as Prof De Grauwe argues, and not before.

The Maastricht treaty is

back to front - but then again, what should we expect from a legal document, drafted by pol-iticians trying to anticipate market developments in the future.

Avinash Persaud, head of currency research, J.P. Morgan & Co, PO Box 161, 60 Victoria Embankment, London ECAY OJP, UK

job with in Fokker there are three jobs in the supplier companies, of which only one is

within the Netherlands. Ger-

many (Dasa) and the UK (Shorts, Rolls-Royce) provide

the largest specialised supplies to Fokker.

leader of project on significance of Fokker for the Netherlands, TNO Centre for Technology and

Van Diemerbroekstraat 115.

6512 BA Nijmegen, The Netherlands

Dany Jacobs,

Italy: fiscal discipline, not fantasy

From Mr Mario Monti. Sir, Your article "the privi-lege of being Italian" (October 14/15), is based, although in a light hearted context, on a report by Corriere della Sera in which my views on Italy's budgetary problems are entirely misrepresented. On October 8, the Corriere published a letter of correction in which I reject the notion that "Italian fantasy can be applied to macrosco-nomics", perhaps by revising the data for gross domestic product so as to bring the debt-to CDF to-GDP ratio down to levels closer to the reference value of 60 per cent in the Maastricht treaty.

As an economist, I have always urged Italian governments to adopt greater fiscal discipline, not greater fantasy. The Commission has always

stressed the importance of applying the convergence criteria strictly in order to ensure that monetary union is based on sound economic fundamen tals, in this context, it would seem inappropriate to revise the basis for GDP calculation in any country in advance of decisions on which countries should participate. Mario Monti,

Commissioner responsible for the internal market, financial services and taxation European Commission, Rue de la Loi. 200 B-1049 Brussels, Belgium

Portillo speech undermines UK ability to help shape Europe

From Mr F.S. Law.
Sir, Having just returned from a short trip to the Continent, I can testify to the appalling reaction UK defence secretary Mr Michael Portillo's speech has evoked there. His derisory comments on "Britain and Europe" make it almost impossible for the UK to influence and persuade its continental partners to take any notice of the UK's views in shaping the future of Europe. The "little Englander" attitude shown by Mr Portillo, a senior minister, will continue to alienate us from the rest of Europe. He, like other Euro-sceptics, talks of Europe and

the UK as if the UK was on another planet. We are part of Europe, we are Europeans and we need to be seen to be Europeans if we wish to influence the shape of that Europe which Mr Portillo so evidently

I would like to suggest to him - who sees himself as a future UK prime minister - to read Winston Churchill's speeches. I am sure this great prime minister would not have tolerated someone with Mr Portillo's views to sit on the front bench with him. F.S. Law. 43 Lennox Gardens,

London SWIX ODF, UK

Repressive UK prison system From Mr Paul Cavadino.

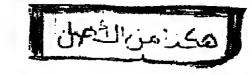
Sir, Your accurate observa-tion that "prison break-onts tend to produce over-reaction and poor policies" ("UK prisons", October 17) is clearly illustrated by the UK home secretary's immediate rejection of Sir John Learmont's proposals for television in cells and more home leave. Other European countries have found that the former greatly reduces tension in prisons, as well as facilitating in-cell educational study, while the latter improves rehabilitation prospects by strengthening prisoners' links with their families.

If the UK genuinely wants prisons to protect the public, it must be realised that rehabili-

tating prisoners is just as important as preventing escapes - and arguably even more so as relatively few prisoners escape but virtually all are eventually released.

If the home secretary accepts only those Learmont report recommendations which tighten up security, while rejecting those which would produce more constructiva regimes, this will produce a repressive prison system turn-ing out embittered ex-prisoners who are much more likely to reoffend. Paul Cavadino, chair.

Penal Affairs Consortium, 169 Clapham Road London SW9 OPU, UK



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Barings: the Singapore view

The principal novelty in the Singapore report into the collapse of Barings is an attack on Mr Peter Norris, former chief executive of the group's investment bank. The evidence the inspectors marshall in support of their "conjecture" that Mr Norris actively covered up the problems in Singa-pore is, however, largely circum-stantial. Mr Norris himself vahemently denies their claims, and ~ in the absence of more substantial evidence - the inspectors have not made their case.

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This isaue aside, tha report agrees in large measure with the report from the Bank of England's board of banking supervision. And it helpfully highlights the speed with which the bank's situation went from damaging to hopeless in early 1995, before the final collapse on February 24.

In fact, the report says, much of the deterioration took place only after Barings had received warnings of troubles in Singapore. For example, Simex, the Singapore International Monetary Exchange, warned Barings twice, on January 11 and on January 25. During January, the bank's auditors discovered a £50m discrepancy in the Singapore accounts. In reply, Mr Leeson provided documentation from an American broker, which it is now alleged - he had forged. Even if true, his explanation abould have set off alarm bells.

. There were other warning signs. On January 24, the Barings' asset and liability committee decided Mr Leeson's positions were too big, and told him to reduce them - 27, the Bank for International Set-

thements phoned Barings in London to ask about his trading.

Though the bank was already badly damaged by this point, there would still have been time to avert a complete collarse or at avert a complete collapse, or at least to limit the damage to the bank's bondholders, the true vic-tims. Instead, Barings in London sent another £400m or so to Mr Leeson during the three weaks before the end.

The general lessons for companies dealing in risky financial markets are simple. Listan for signs of trouble, instead of rejecting them. Pay attention to those who issue warnings, instead of treating them as nuisances. And once you start to worry, act quickly. Even if Mr Leeson had been a trading genius, little would have been lost by stopping him dealing for a month while his

accounts were checked. Barings took no such precautions. Perhaps the inspectors' most telling point is made in pass-ing though Barings had a department called Financial Controls, it was not supposed to control anything, merely to provide helpful information. And it fell down even on that narrower task.

The Singapore report may fall abort in its allegations of a cover-up. But, like the Bank of England report, it is entirely convincing in its description of management failure. Together, the Barings and Daiwa stories show that age, respectability and size are no protection against such a request he ignored. On January cial institutions must heed,

Rural vistas

It will be easy for the cynic to ests, and delivered through new dismiss yesterday's rural White Paper as a minor diversion. Despite its 150 pages, it is thin on policy recommendations; it promises little new money to enhance the countryside; and it conveys no inspiring vision of what many English people consider to be a

It is an over-ambitious document, certainly. It tries to accommodate the dozens of competing interests which stalk the countryside: the developers, the conservationists, the landowners; the fen-ants, the businesses and the ramblers. This is probably an impossible task, but one can see wby the government has felt a

political need to attempt it. However the paper does provide a useful starting point for a muchneeded debate about the sort of a rural environment England wants as it approaches a new century. So many profound changes are now buffetting the countryside, challenging its traditional ways and values, that a new order of priori-

ties is called for. They include the decline of agriculture, the rise of environmental awareness, the pressures of an urbanised but highly mobila population, and new opportunities created for business by advances in technology and telecommunications. At the same time, there is growing nostalgia for the rural way of life, and an increased need for the tranquillity traditionally

offered by the countryside. A balance needs to be struck priorities in the planning system. The government proposes that the planning process should become more flexible and more sensitive to local needs. This will be welcome if it makes it easier to establish non-farm businesses in rural areas without creating unaccept-

ahie blots on the landscape. As the White Paper rightly argues, the countryside cannot be turned into a museum: Its vitality must be preserved by encouraging economic activity, and allowing rural dwellers to lead normal lives, with access to housing and social services.

But there are limits to what government can do to achieve this balance. Much hangs on a recognition that agriculture's role has shifted from a source of food and employment to a form of steward ship of the countryside - which in turn depends on further reform of the EU's Common Agricultural Policy. Another area where the paper has highlighted conflicts rather than resolved them is transport policy, a notorious black spot for this government.

The most promising measure proposed yesterday is that rural issues be made the responsibility of a Cabinet committee. This should belp to ensure greater consistency in framing rural policy, and to inform the government's general fiscal and regulatory approach. But ministers should not delude themselves that such a move will create the needed consensus on what England wants for

Kohl's challenge

for making a smug speech of selfcongratulation at his party congress in Karlsruhe. Since winning last year'a elections by a whisker - a majority of just 10 seats for the ruling coalition in the Bundestag - his Christian Democrats bave gone from strength to strength, while the opposition Social Democrats are divided and bickering. The worst pain of unification is probably over, and state finances are slowly being returned to traditional rectitude.

Instead of gloating, however, Mr Kohl chose the garb of a Jeremiah. warning his compatriots - and his party - against resting on their laurels. Two out of three Germans were born since the war, he said: they had no personal memory of the catastrophe of national socialism, nor of Stalin's bloody dictatorship. Too many saemed to think their prosperity was guaranteed. Too many were content to watch a "spectator democracy" in which they took no active part. Moreover, in an increasingly competitive global economy, there were disturbing signs that young Germans were becoming decidedly

risk-averse, he added. Mr Kohl was right to return to that theme, which he launched two years ago: not only Germany. but most of western Europe, seems to be getting too comfortable to compete. The chancellor quoted a survey of small family businesses in Bavaria - the very heartland of Germany's postwar economic miracle - showing that

Germany's chancellor, Helmnt in at least half of them, there is no Kohl, might have been forgiven member of the new generation willing to take over the family firm. No fewer than 40 per cent of German college graduates are going into government jobs, not the private sector.

Part of the answer lay in his speech: slim down the state sector, and cut back the bureaucracy. The proportion of national income devoted to state spending in Germany is back over 50 per cent, thanks to the costs of unification being carried by tha public sector. But it is a tough time to be cutting state jobs, when unemployment is stubbornly stuck at 3.5m, or more than 9 per cent of the labour force. Germany's tradition of social part nership means that both business and trade unions need to be carried along in taking such difficult

Educational reform is needed. too: it cannot be sensible to keep the average university graduate studying till the age of 29. But the shake-up required is more profound: it is not just the younger generation, but the whole German system which is risk-averse. Mr Kohl's own government is guilty of painfully slow consensual decision-making, with progress dictated by the most cautious party. It was a good system for those postwar years of reconstruction,

but it is too cumbersome today. The chancellor needs to lead by example, and not simply by exhortation. Lean government should also mean decisive government, creating an environment where risk-taking can flourish.

either the glitz nor the glamour of the competing displays at this week's London Motor Show will distract onlookers at the Rover stand. drawn by the surprise appearance of a modest, but crucial, new car.

Rover's new 200 series - originally expected early next year - is the company's challenger in the biggest and most competitive segment of the European car market: the small family-car market, dominated at present by Volkswagen's Golf

and General Motors' Astra.

The decision to bring forward the launch of the 200, the last of the cars developed during Rover's former collaboration with Honda. could be interpreted as a sign of the company's confidence in its future under BMW, the German executive carmaker which bought it in 1994. However, it may more accurately

reflect the pressure facing Rover because of its sharply falling sales and hints of its new German master's growing impatience at the group's disappointing performance. "BMW can't let a short-term decline in sales turn into a long-term collapse," says Professor Garel Rhya, professor of motor industry economics at Cardiff Business School in Wales. "So they're trying to take pre-emptive action to prevent things deteriorating fur-

One of Rover's biggest problems is its falling market share. In the first eight months of 1995, it sold 179,000 cars in the UK, including the Land Rover four-wheel drive brand. This is almost 9 per cent less than in the same period last year, and leaves the company's market share at 11.3 per cent, down from 12.4 per cent for the first nine months of last

The company has fared little better in continental Europe. Sales in the 17 west European countries tracked by the European Automobile Manufacturers' Association have fallen almost 12 per cent in the first nine months of this year. That has cut Rover'a European market share to 29 per cent from 3.3 per cent in the same period last year.

Mr John Towers, Rover's chief executive, professes to be unwarried by the falls, bowever. They are in line with the company's strategy of repositioning itself as a prestige brand rather than a volume pro-

ducer, be says. Rover's strategy in the past few years has been to produce a wide range of cars, but to pitch them above competing models from volume manufacturers such as VW and Ford by offering buyers higher specifications and a more exclusive

For several years before being bought by BMW, Rover used the German company as its model. Talk at the group's Birmingham beadquarters was of becoming a "British BMW", combining traditional UK motoring strengths, such as wood and leather interiors, with the

ers as a factor behind last month's announcement that Mr Wolfgang Reitzle, BMW's head of research and development, would replace Mr Bernd Pischetsrieder as Rover's chairman.

The suggestion was that the change demonstrated BMW was losing patience with its UK subsid-

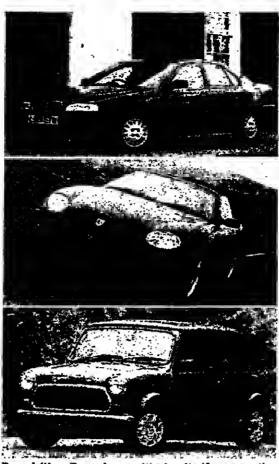
But Mr Rettzle says the move had long been planned and had nothing to do with Rover's sales performance.

He lays emphasis on BMW's long-term approach to the car business, highlighted by its transition from a manufacturer of Italian bubble cars under licence to one of the world's most admired and profit-able car manufacturers. Given that background, Mr Reitzle argues, Rover's short-term performance is of marginal importance to BMW's strategy for the company. Credited as the man behind many

of BMW's most successful vehicles, the new chairman will devote much more of his time to Rover than Mr

Rover heeds its master's voice

The UK carmaker is striving to become a more upmarket brand under its new German owner, says Haig Simonian





Remodelling: Rover is repositioning itself as a prestige brand, says John Towers, chief executive. Top left, the 600 series, its most successful recent car; ceotre, the MGF sportster; and the cheap and compact Mini

advanced engineering and improved quality and reliability gained from its association with Honda.

According to Mr Towers, the "cor-rect" UK share for a brand corresponding to Rover's aspirations could be as low as 9 per cent. That, be says, would broadly reflect the true level of demand for a prestige

The company is similarly relaxed about its falling registrations in continental Europe - an area lt identified until relatively recently as its target market. Rover attributes the decline partly to the disruption caused by its four new model launches this year: a revised version of the Metro compact hatchback (renamed the Rover 100); the MGF sportscar; the 400 Series of lower mid-range models; and the 200 Series. Moreover, the company's focus,

says Mr Towers, is now on worldwide sales. This year, US sales have risen by an impressive 77 per cent to nearly 14,000, while registrations in Japan are up 45 per cent to just under 17,000. That has prompted many analysts to forecast that the group's overall international registrations will reach a record in 1995.

Critics claim the decline in Rover's market share in the UK and continental Europe stems from fundamental misjudgments in its product strategy. They say Rover's

vehicles often fall between two stools, rather than being pitched at a particular market segment. The recently launched 400 hatchback. for example, is little bigger than a Golf, but priced and marketed as a rival to the appreciably larger Ford Mandeo.

Some argue that the problems with Rover's products stem from its relationship with Honda. The company bas taken basic Honda designs, and customised them to its own requirements. However, Rover was not able to alter basic factors such as the cars' dimensions or overall design. That inevitably handicapped the company, espe-cially after Honda, once Japan's

most innovative carmaker, started to lose direction in its model pro-

gramma in recent years.

Problems with Rover's dealers have exacerbated its sales difficulties. These are a legacy of Rover's steady decline from being the UK'a biggest car company (as British Leyland), when it accounted for about one in three of all new UK car registrations, to its present

Rover has culled its dealer net-work to eliminate many of the smaller garages which no longer meet its new, upmarket image or its higher requirements for facilities and service. However, the process is incomplete. Mr Towers recognises the company still has a long way to go. However, he stresses changes are under way. A lot of the smaller garages have been eliminated. And in some key markets Rover is building a new network based on bigger. service-orientated distributors, better suited to its present model

ccording to Prof Rhys. Rover's transformation from a mass producer to one concentrating on upmarket versions of a variety of vehicles will be complete and convincing only when it tackles another of the legacies of its past. In apite of its achievements with Honda in renewing its range, the company is still identified with cheap and compact cars such as the

Mini and the Rover 100. Snch workaday vehicles, highly successful in their day, now compromise the prestige brand image Rover is trying to develop. The Metro (dating from 1980) and the Mini (which celebrated its 36th birthday this year) are woefully long in the tooth. Even with BMW's backing. Rover probably lacks the resources to renew the two compact cars and its bigger models at the

On the other hand, many think Rover and BMW would be foolish to let the compact cars wither away.
"BMW would be crazy to let that know-bow and heritage go," says one stock market analyst.

The probable solution, according to senior executives, is that Rover's compact cars will eventually be marketed as a separate brand. "Mini" is likely to become the trademark for a family of new, BMW-inspired sub-compact hatchbacks built by Rover. The Mini and Metro replacements would be consciously different cars, trying to capture the same sense of surprise and radical engineering that greeted the original Mini back in 1959.

The splitting of the Mini brand would meanwhile free Rover to concentrate on higger, distinctively "British", models, pitched as cheaper, but occasionally overlapping, alternatives to BMW's own upmarket vehicles. This would in turn leave the German marque free to concentrate on the sportier, high-

The fall in Rover's sales figures has been interpreted by some rival manufacture BMW takes the long view

Pischetsrieder, BMW's chief executive and the architect of the Rover

acquisition. He bas identified four crucial areas on which the UK company will have to concentrate if it is to meet RMW's expectations.

He expects Rover to achieve relatively rapid improvements in two of these: quality and reliability, and competitiveness. "Rover's quality and reliability have improved very substantially thanks to Honda. But they are still not up to BMW standards," he says.

Over the longer term, Rover must expand the geographical range of both its sales and its dealerships. Particularly promising for Rover. according to Mr Reitzle, are markets such as south-east Asia, where BMW's own sales will remain limited because of its relatively high

Finally, Rover must develop new models to complement BMW in the marketplace. This means finding it

a distinct niche as a premiumbrand producer, not trying to make the UK company into a "British BMW". While some Rovers may be dearer than BMWs, be says, the "centre of gravity" for Rover's pricing will be below its German par-

Mr Reitzle foresees Rover evolving along the lines of Audi, the executive-car subsidiary of VW. Andi is a prestige marque, with a strong brand image, which is, bowever, different from that of BMW. Someone who buys a BMW would not buy an Andi," he says. While BMW tends to appeal to the spor-tier motorist, Audi remains slightly more conservative.

There are some similarities between Rover and Andi. Both companies specialise in front-wheel drive cars and have a reputation for four-wheel drive technology although their four-wheel drive vehicles are very different. And both have been innovative with the

use of aluminium, rather than steel, for body panels, Mr Reitzle and Mr Pischetsrieder

know they cannot squeeze much more volume out of BMW without starting to take it downmarket. By developing Rover into a comple-mentary brand, they can gain volume while reaping economies in terms of shared components, research and engineering. One senior motor industry execu-

tive from a rival manufacturer believes tha Andi model bas its merits. He warns, bowever, that Audi reached its present position as a respected executive carmaker only after nearly two decades of beavy financial support from VW. "It's very, very difficult to do,"

he warns. "You have to pitch the price and level of the intermediate product just right, and you need someone with enough money to see you through your mistakes along

The bead of motor industry strat-



Reitzle: long-term approach

egy at a leading management con sultancy asks whether BMW's shareholders - notably the Quandt family which controls the company are ready to see BMW to forego part of its profits (and their dividends) for however long it takes to bring Rover up to Mr Reitzle'a stan-

"These things take a lot of time. How will BMW's investors react?"

OBSERVER

Foreign Office forked tongue

■ General Sani Abacha, Nigeria's military leader, was given a severe rap over the knuckles by Britain's Foreign and Commonwealth Office earlier this month. The naughty thing's offence was to have announced that it would take him three years to return Nigeria to civilian rula.

Meanwhile, ha added, he would be keeping Chief Moshood Abiola winner of the 1993 presidential election Abacha helped annul – in

But Abacha shouldn't feel too upset. After all, his finance minister, Tony Ani, has now alighted in London, where he is participating in a two-day conference on investment in Nigeria. And who hosted a cocktail reception last night to mark the occasion? Why, none other than the tough-talking pro-democracy mandarins at the Foreign and Commonwealth Office.

Jolly good show.

jump ship.

Uffe puffy ■ Uffe Elleman-Jensen, the former Danish foreign minister, is being touted by some as the most promising candidate to take over as secretary-general of Nato, if Belgium's Willy Claes is forced to

Uffe, as be is familiarly known in Denmark, fits the bill on several scores. He has a distinguished track record in his own country and stood up to Denmark's socialists when they wanted to ban visits by Nato warships in 1988.

What's more, the Danish government would like to get rid of him, as Observer noted last week. Uffe would probably accept the job if offered it. After all, there's never been a Dane with his finger on the Nato trigger before.

That said, will Nato's members want a Dane running the ship? The Danish reputation for high minded pacifism may worry Nato's more gung-ho generals. But no one could accuse them of being wimpish in Bosnia, where the Danes proved their mettle against the Serb forces at a time when everyone else was calling the UN cowardly.

The biggest obstacle, perhaps, could be the French, whose feelings have been wounded by Denmark's enthusiastic opposition to France's nuclear tests. Hard to see President Chirac giving the nod to Uffe in the current atmosphere.

Mind you it came as a great surprise when Willy Claes got the job. Nato is not what it was.

Green piece

■ All the personnel problems within Greenpeace are evidently muddying the environmental lobbying group's normally

nuclear tests in the Pacific. Ban the Burgundy, crush the croissant and all that jazz So why let the airline Lufthansa.

and its current ad campaign, off the hook? Lufthansa's slogan reads: "You close your laptop. You push back your seat and adjust your footrest A taste of Brie. A sip of The background to the ad is a

flaming red sky. It's actually a dramatic sunset, but on a cursory glance is not totally dissimilar to the aftermath of a nuclear Maybe Benetton's art director has

been doing some moonlighting?

Rocketing prices

■ Swords into ploughshares is one thing, but missiles into scarecrows? Sergei Kocheshkov, who commands an army anti-aircraft unit near Cherepovets, 230 miles north of Moscow, bas placed an advertisement in the local newspaper, offering

decommissioned missiles for sale. His ad suggests the missiles their fuel and ammunition replaced by sand - could be used as scarecrows. The price is the equivalent of \$180. Might also make good bird baths ...

The Manila gambit ■ Manila's atrocious traffic jams have long dominated Philippine

talk shows and letters pages. The city's unhappy road users have watched scheme after scheme fail. as Manila's traffic cops adopted increasingly zany ruses to ease the

But now Manila's authorities have announced a cunning plan. Chief superintendent Romeo Maganto says salvation is in sight. On any weekday he reckons that 20 per cent of private and public vehicles will be removed from the city's main thoroughfare. Vehicles with number plates ending in one or two will be banned on Mondays: those ending in three and four will be banned on Tuesdays. And so on. Sigh. Not that old wheeze. A

similar thing was tried by the city worthies of Athens. The Greek scheme permitted cars to travel into the capital only on alternate odd and even days, according to the final figure on the vehicle's number

And what happened? The obvious

Athenians went out and bought second cars, with a useful final Even though it means buying

four more cars - or maybe just four more numberplates - we give the Manila variation oh, about a month.

Imaginative

■ This is not a joke. A US pharmaceutical company is about to launch the first advertisements for impotence awareness. Tha company's name? Upjohn.

50 years ago

New \$5-Note: The issue of a new type of \$5 note, substantially tha same in design as the existing "fiver", is amounced by the Bank of England.
The forgery of high sum Bank of Rigiand notes in Germany during the way as well as the desirability isolating, for exchange control reasons, notes now circulating abroad, have

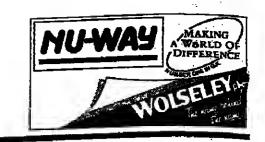
made this step expedient. The new note closely resembles the old, being identical in both colour and size. but the use of thicker paper has made it possible to introduce a metallic thread, as in the case of the fi and 10s notes. This feature and other safeguards in the printing "will provide additional protection against the forger. The old notes are not yet being called in and will continue to be

legal tender The first five, pound note was printed and issued as far back as 1793; it was minus the lettering Bank of England at the top, but it held an autographed signature. Changes in the form of the note have been few, the last, apart from alterations in detail, being in 1855, when the vitally important words: "I

promise to pay" were added:



Wednesday October 18 1995



Fed approves emergency cash fund for Japanese banks in US

Push for tighter controls after failure to detect losses at Daiwa

By George Graham in Washington and Richard Waters in New York

he US Federal Reserve has agreed to snpply the Bank of Japan with emergency cash to pro-vide liquidity for Japanese bank operations in the US, but not for injection into Japan's troubled domestic banking industry. US

officials said yesterday. While the arrangement has won support from US congressional leaders because it will not use US taxpayers' money, Con-gress is still likely to press for tighter supervision of foreign banks in the US following the recent revelation that trading losses of \$1.1bn at Daiwa Bank had escaped detection.

Congressman Jim Leach, chairman of the House of Representatives banking committee, said the US government did not expect the credit problems of Japanese banks to become unmanageable, but was "prepared to co-operate

facilitate, in any emergency, liquidity for Japanese banks operating in the US".

But he warned that "more comprehensive examinations may be needed of foreign institutions, particularly those from countries lacking US standards of transparency and regulatory discipline".

Mr Leach added that It was
"extraordinary" that Daiwa's
losses had been missed in regular

News of the Fed's agreement to provide cash to the Bank of Japan follows comments by Japa-nese officials earlier this week that they were seeking support from other central banks to help relieve the pressure on their domestic hanks, which face higher borrowing costs as foreign lenders become more nervous

about their stability.
US officials said the arrangement was informal and did not involve any use of US funds, since the Bank of Japan held enough US Treasury bills to swap

\$470bn of non-performing loans fully with Japanese authorities to with the Fed for cash. facilitate, in any emergency, "Foreign holdings of assets. held by Japanese banks. most particularly Treasury bills,

The threat of greater supervision of foreign banks, meanwhile, is likely to alarm both the banks and some Fed officials who super-

Foreign banks in the US are still smarting from the country's last regulatory crackdown, which followed the collapse of Bank of Credit and Commerce International and the revelstion that Banca Nazionale del Lavoro's Atlanta branch had made large unauthorised loans to Iraq.

Those scandals led to changes in US legislation which brought the branches of foreign banks -including Daiwa - into the Fed's regulatory net for the first time, and led the supervisory suthorities to hire 200 new bank examin-

ers to police non-US institutions. Fed officials supervising foreign banks said adding more bank examiners would not make it easier to detect frand, since this was primarily the duty of a

Air traffic controllers end strike

Continued from Page 1

The air traffic control system was 400 persons below comple-ment, putting the controllers in a strong position to enforce an overtime ban and demonstrate the sbortcoming of existing work schedules by a crippling work-to-

The government has promised to increase numbers by bringing in former military personnel and recruiting from recently retired air traffic controllers.

It will also spend more than L400bn on upgrading Italy's air traffic control structures. A key step in the agreement will be the gradual conversion of Anav, the civil aviation authority, into a public company.

But travellers' woes are unlikely to end immediately. Unions stressed yesterday it would take time to restore normal operations and that delays were likely, since one runway was out of use at Rome's Fiumi-

cino airport. Industrial action is also expected to continue at Alitalia where pilots and cabin staff are fighting to prevent job cuts and more flexible working prac-

China accuses Washington of blocking its WTO entry

are so vast that no foreign legis-

lative body will be required to act

in any emergency." Mr Leach

earlier this year, which involved

the use of a Treasury emergency

fund, the Japanese arrangement

is purely between central banks.

since it could help to stop Japa-

nese institutions raising cash by

selling off large holdings of Trea-sury bills and bonds, potentially depressing the credit market and

Congressional officials said the

agreement with the Bank of

Japan differed from arrange-

ments with other central banks

only because of the size of the

potential liquidity problem that

could be created by an estimated

raising interest rates.

owever, government officials and the

arrangement was in the US's interest,

Unlike the Mexican bail-ont

China yesterday accused the US of obstructing its application to join the World Trade Organisation. Ms Wu Yi, minister for foreign trade and economic co-operation, complained that the US had said in March It would take a flexible and pragmatic attitude toward China's accession, but Beijing had seen no US move on the issue.

"The objective conditions for China's access to the WTO are ripe," she said after a meeting with Mr Ron Brown, the US commerce secretary, in Beijing. Mr Brown said the US wanted China to enter on terms commercially acceptable to its trading partners. He is holding talks to discuss a

range of bilateral trade issues including investment, China's WTO bid, textile quotas and dumping problems.

Mr Brown, the highest ranking US official to visit China since bilateral relations soured in the summer over a visit to the US by President Lee Teng-hui of Taiwan, presented Ms Wu with a \$20bn list of planned projects in power, telecommunications and transport in China in which US companies want to be included.



Ron Brown: seeking improved access to Chinese markets

He also voiced concern about lack of progress on contracts worth \$6bn, including those in the power sector, initialled when he visited China last year at the bead of a high-powered business delegation.

Mr Brown blamed bureaucratic red tape and financing problems for the hiatus in approvals. China's decision to withhold bank guarantees for most categories of

ing a barrier to funding.
"China has not made all the decisions it needs to make about how these projects are to be phased in or decisions that need to be made on the question of government guarantees which count on your balance sheet," he said. Mr Brown cited figures showing US companies invested \$2.5hn in China last year, about five times more than in 1992 and 10 times more than in 1988.

The US expects a trade deficit with China this year of \$38bn compared with \$30bn in 1994, when the Japanese surplus with the US was \$66bn. Some US estimates indicate the deficit could reach \$45bn-\$50bn next year.

Mr Brown expressed unhappi-ness with the trade imbalance, adding that Washington was seeking improved access to Chinese markets, especially for financial services and major

China disputes the US figures, citing its own customs statistics which showed a surplus with the US in 1994 of \$7.4bn. Beijing accuses the US of including items that originate in China but are subjected to further processing in places such as Hong Kong.

THE LEX COLUMN

New Burger King

Under the leadership of Lord Sheppard, Grand Metropolitan has been metamorphosed from a sprawling conglomerate to a focused international brand business. But the years of acquisitions and restructurings have arguably been more rewarding for the outgoing chairman than his shareholders. Their investment has underper-formed the market during his stewardship, and is now back at January 1992 levels. With the new management team vowing to focus on the existing portfolio, rather than looking for the next deal, investors could be set to reap some rewards.

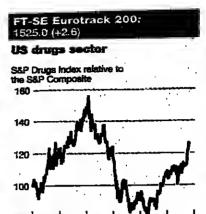
Of course, investors have seen some pay-back recently, as GrandMet emerged as a hid rumour. Yet with negative net balance sheet worth, after removing brand valuations, there would be few buyers who could afford it. The entire purchase price, of perhaps £12bn, would be goodwill; for a US buyer, amortisation over a 40-year period would knock one third off GrandMet's contribution to pre-tax

profits, making a deal hard to justify. Nonetheless, such rumours do refocus attention on the strength of brands such as Burger King, Green Giant, Häagen-Dazs and the group's spirits lahels, GrandMet has taken 2619m of restructuring charges in just over two years, but the benefits should come through strongly next year. Increased marketing expenditure should also fuel growth. And interest cover for 1995 should be close to seven times, giving the group scope for further bolt-on acquisitions. Ultimately, demergers could add further value, suggesting a profitable legacy from Lord Sheppard's empire building days.

US pharmaceuticals

The latest batch of results from America's pharmaceutical giants shows the industry in remarkably good health. This is a turnaround from 18 months ago, when President Bill Clinton's planned healthcare reforms and the explosive growth of a new breed of tough customers - the managed care providers - were giving companies and investors the shivers.

Since then, the reforms have failed to materialise. And though managed care organisations have demanded discounts, they are purchasing more drugs. Coupled with a range of successful new products, such as Pfizer's depression treatment Norvasc, prescription volume growth is currently at its highest level in the past decade. With prices stable rather than



1990 91

leclining, sales growth is improving. Merck yesterday reported a 10 per cent increase in third quarter revenues, Eli Lilly achieved 8 per cent and Pfizer 26 per cent, helped by acquisitions. Add in the benefits from cost cutting and

industry consolidation and earnings growth of 10 to 15 per cent looks sustainable to the turn of the century. The hig British groups are not far behind, with SmithKline Beecham and Zeneca boasting good new product flows and Glaxo helped by the savings from integrating Wellcome.

As a result, drug stock ratings have recovered strongly on both sides of the Atlantic and now stand on around 20 times this year's earnings. But those companies with strong new drug pipelines like Pfizer, Merck and Smith-Kline still look attractive.

Signet

The threat by rebel preference shareholders to take control of the board of Signet may help concentrate the minds of existing management on the urgent issue of restructuring the company. If it does, it will have served a useful function. Signet, formerly the Ratners jewellery chain, has limped along for too long with its debilitating capital structure. There may have been some logic behind the manage-ment's wish to delay restructuring until after the renewal of Signet's bank lending facility this summer, but it has not been borne out by the company's languishing share price. In effect, preference shareholders already own the company, since they stand to be repaid ahead of ordinary shareholders, leaving little or nothing on the table for the latter. However, ordinary

shareholders still have their votes which they must use to secure the best deal possible. It may not be in their interests to see the rebels, who represent preference shareholder interests, on the board. Their best hope for an equitable solution may still be to allow Mr James McAdam the executive chairman, to trundle on avoiding a firesale.

Mer t

Still, ordinary shareholders should bite the bullet sooner rather than later. Already, they are highly unlikely to do better than the 20pa. share deal from the rebels that they turned down earlier this year. As unpaid preference ahare dividends continua to accumulate, they have lit tle to gain from procrastination. Massive dilution may be their best option.

Lord Weinstock can hardly be happy

that General Electric Company's share, price has risen as his retirement as the company's managing director nears. Yesterday's board meeting may not have made progress on determining a successor, but the company still aims to name a replacement in the spring. The market's enthusiasm for a change at GEC's helm is partly a mat-ter of sentiment. Investors believe a new chief executive with fresh ideas will be able to launch the group on s more dynamic growth path. Lord Weinstock is widely considered overcautious in controlling GEC's cash Though this means the group's varied businesses rarely get into trouble, they find it hard to achieve their potential. A new GEC chief executive might also try to increase shareholder value by restructuring the business.
One option would be to distribute its £2bn-plus cash mountain. More radically, a break-up of the entire group could be envisaged: GEC-Alsthorn, its power generation partnership, could be demerged; its majority share m GPT, its telecoms venture, could be sold to Siemens; and its ragbag of industrial businesses could be spun off, GEC would be left to concentrate on its defence core.

Such radical plans have some theoretical appeal, but would be hard to achieve in practice - oot least because demerging GEC-Alsthom would inflict a punishing tax penalty on Alcates Alsthom, the venture's French partner. Nevertheless, the possibility of big changes will help keep GEC's share price buoyant. And there is a chance Lord Weinstock will pull a rabbit from the hat before he departs.

Former head at Barings accused of a cover-up

FT WEATHER GUIDE

and Mr Bax took part in an effort "discourage independent investigations" into Mr Leeson's trading after the discovery of a 250m discrepancy in January which turned out to be

part of Mr Leeson's losses. They say Mr Norris "also took steps to conceal" the problem from other Barings directors and dissuade Coopers & Lybrand, Barings' auditors in Singapore and London, from mention-

ing it in their annual

audit letter to management. The inspectors say Mr Norris would have had a motive to conceal losses because his predecessor in charge of securities broking at Barings, Mr Christopher Heath, had left the company in 1993 after it made losses in 1992.

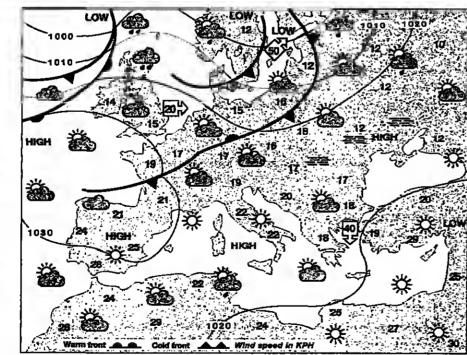
but they stress this is conjecture. Mr Alistair Darling, Labour's spokesman on the City, said the report made it clear that the collapse could not be blamed "solely on one rogue trader" and it had Identified serious management failings at Barings.

Europe today

The most north-westerly parts of the British isles will have cloud and rain as a new frontal system approaches. Colder air over the UK and the Benelux will result in much lower afternoon temperatures despite sunny spells. The leading edge of the cooler air mass will be over central and north-eastern France, Germany, northern Poland and the Baitic States. The boundary will be cloudy with occasional rain. Fog will form at night in the relatively warm air east of the front. The fog will linger throughout the day in some parts of eastern Europe but most areas will have some sun. The Balkans will have long sunny spells while the central Mediterranean

Five-day forecast

High pressure over south-western Europe will build, forcing Atlantic disturbances to follow a more northerly route. Spain, France tha southern UK and tha Benelux will be dry with sunny spells and seasonal temperatures. The northern British Isles and Scandinavia will be unsettled owing to a series of depressions. Eastern Europe will have slightly colder air.



sun fair shower Rangoon Raykjavík Rio Rome S. Frisco Seoul Singapore Stockholm Strasbourg Sydney Tangler Tel Aviv Tokyo Torento Vancouver sun fair fair shower fair rain fair fair 25 18 79 24 15 14 12 23 1 18 35 35 22 28 19 25 15 18 19 Caracas Cardiff Casablancs Chicago Cologne Dakar Dellas Debal Dubal Dubal 24 24 14 30 23 17 cicudy rain shower sun feir thund feir sun shower cicudy cloudy sun sun sun sun shower cicudy shower teir rein teir cloudy rein teir Geneva Gibrahar Glasgow Hambun Helsinki 23 20 32 13 18 Miami Miam Montrsal Moscow Munich Nairobi Naples Nassau New York Hong Kong Honolulu Istaribul shower cloudy cloudy thund sun fair sun shower fair 27 23 26 22 18 12 19 Vancouver Venics Vienna Warsaw Washington Wellington Warnipag Frankfurt.
Your hub to the heart of Europe. 29 20 28 15 18 21 shower sun shower rein fair Lufthansa

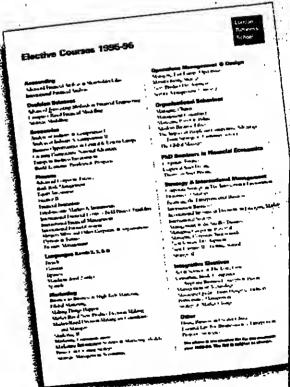
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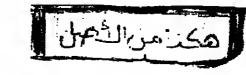
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Very Stat

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COMPANIES & MARKETS

Wednesday October 18 1995



IN BRIEF

Merck rises 10% in third quarter

Rapid growth from promising new drugs fuelled third-quarter results from US pharmaceuticals companies. Merck reported third-quarter net profits ten per cent higher than the third quarter of 1994, at \$862m. Vasoctec, a heart drug, and the cholesterol-lowering drugs Mevacor and Zocor enjoyed strong sales. Eli Lilly's net profit of \$1.23bn, against \$318.7m a year ago, was swollen by a \$910m after-tax gain. Third-quarter sales of its antidepressant, Prozac, were up 7 per cent on the same period last

Time-Warner restrained by cable side Double-digit earnings increases in publishing, film entertainment and television programming only partly helped the Time-Warner group compensate for continuing losses in its fledgling WB Network cable television division and a \$85m charge in the music business in the third quarter of this year.

Marlboro lifts Philip Morris to \$1.4bn Strong international sales of Marlboro cigarettes helped Philip Morris, the branded goods manufacturer, increase earnings 17 per cent in the third quarter to \$1.4bn. Earnings per share, lifted by a

Strong borrowing buoys leading US banks A group of big US banks, led by Chemical Banking, posted further strong profit gains in the third quarter, aided by renewed borrowing by consumers and the effects of recent cost-cutting efforts. Citibank, meanwhile, recorded a 2 per cent decline for the period on a higher tax charge, Page 16

Italians put 3% ceiling on Eni stakes The Italian government has set a ceiling of 3 per cent on individual stakes in Eni, the state-owned energy and chemicals company, which should be partially privatised before the end of this year.

Thomson sell-off could come next spring Thomson, the French electronics and defence group, could be privatised next spring, according to a finance ministry report which has been submitted

The air of an end-game is beginning to hang over Coles Myer, Australia's largest retailer, after three big institutions refused to be pacified by the group's offer to turn itself into a handful of separately-listed companies, insisting boardroom changes and corporate governance issues be addressed first. Page 20

GEC defuses clash over succession The General Electric Company of the UK defused a row over bow a successor to Lord Weinstock, man-

the French systems integration and outsourcing group, in a deal thought to be worth around £60m

Companies in this issue

\$6bn stock buy-back programme, were up 20 per cent at \$1.71. Page 16

to the National Assembly. Page 17

Coles Myer saga nears conclusion

aging director, should be chosen. Page 23

Sema in talks on 260m Clsi takeover Sema Group, the Anglo-French computing services group, yesterday said it was in talks to acquire Cisi,

4 ito-Yokado, 18 Linotype-Heli 4 Lukoli Alcatel Submarine Aran Energy 15 Lyonnalse des Eaux Merck Mertili Lynch Mitsukoshi Audi BAT Banc One CNP CRH Morgan Stanley Trust NatWest North West Water Northern Telecom Paterson Zochonis 24 16 16 16 20 17 4 24 29 24 15 15 20 4 17 18 Chemical Banking Paterson Zocr PepsiCo Pfizer Philip Monts Pilipinas Shell RCS Editori Club Med Coles Myer Compaq Scholl Daimaru Sema Deutsche Bank Et Lilly Endess Eni

16 Wills (WD & HO). 23, 15 des Eaux Market Statistics

General Motors

Fujitsu GEC GTE

FT-SE Actuaries indices &Annual reports service Foreign exchange Gills prices Bond futures and options London share service Bond prices and yields Managed funds service Money markets Dividends announced, LIK EMS currency rates New York share service Short-term int retes FT/S&P-A World Indices US Interest rates FT Gold Mines Index

Takashimay Themes Water

Thomson

Chief price changes yesterday United Palis Accor Ecco Seb TOKYO (Yen) 550 811 586 Rises Sk. Of Tokyo Sankyo Salki Falks Dai-tchi Kang HONG KONG PINTS

Rises
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Kodak surges 75% in third quarter

By Tony Jackson in New York

Eastman Kodak, the US photographic

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fund, would reduce shares in issue by about 2.5 per cent and lift earnings per share, the company said. Net earnings for the quarter totalled \$338m, or 99 cents a share, against \$193m, or 57 cents, a year

ued to come from consumer imaging in the US, with an increase of 18 per cent, to \$761m. Sales in US commercial imaging

partly offset by pension fund contribution

fell 1 per cent, to \$988m. Sales of consumer

Mr Harry Kavetas, chief financial offi-cer, said the fastest growing business in sales terms was digital imaging. In the past year, the development of digital technology had become central to Kodak's growth strategy. While the business remained loss-making, Mr Kavetas said

rapidly growing part of our business. It's a

year contract, Mr Nash will the chairmanship.

Grand Metropolitan names

receive £790,000 compensation.

Mr Nash's current job as head of

GrandMet's food businesses was

abolished yesterday with immedi-

ate effect. Its operations, the food

processor Pillsbury and the Bur-ger King restaurant chain, now report directly to the chief execu-

GrandMet's methods of devel-

oping internal candidates,

choosing the winner and then

promptly parting company with

the loser is unusually clear cut

and open for a British company,

some recruitment specialists

Met think there's been an awful

fight and bear garden going on

around here," Mr Boll said. "But

that's not true at all. Everything

has happened exactly in the

Two years ago, Mr Ian Martin lost out to Mr Bull when Lord

Sheppard relinquished the chief

Some people outside Grand-

suggested.

proper process."

senior management team

Whila sales growth for the group, at 3 per cent for the quarter, represented a slowdown from the first half, growth in operating income accelerated to 52 per cent. Mr Kavetas said on selling, general and administrative expenses, where the

Mr Kavetas said the decision to bny back shares, which was widely expected, had been prompted by the group's ability to generate strong cash flows. "We've been of the view for some time that we have enough cash to fund our growth and be able to take opportunities for acquisition, and still be able to return cash to share holders," be said.

At the end of the quarter the group, which has recently completed a sweeping disposal programme, had net cash of about \$300m. Cash flow in the quarter, after payment of the dividend, was about \$500m.

Mr Kavetas said the \$500m payment into the pension fund, the first since 1982, had chiefly been prompted by a rise in the number of retirees. He said: "We chose to do the contribution in the form of Kodak stock because we thought it was a good

bid battle for Aran **Energy**

Arco quits

By Tim Burt and Robert Corzine

Atlantic Richfield (Arco), the US oil group, yesterday abandoned its hostile takeover bid for Aran Energy after Statoil, the Norwegian state oil company, offered £203m (\$321m) for the Irish exploration and production busi-

The Los Angeles-based group, which last week raised its offer by 13 per cent to £182m, said it was not in the interests of its shareholders to join a bidding war for Aran.

Statoil had earlier announced a 77.7p-a-share cash offer, trumping a 69.4p-a-share bid by Atlantic Richfield.

"The price got beyond where we were willing to go," said Mr Terry Dallas, treasurer at Arco. "But we continue to look at

acquisitions in exploration."
Arco and Statoil were attracted by Aran's share in Schiehallion, one of the UK's largest unexploited oil fields.

The US group withdrew after the board decided a higher offer would contradict its pledge on tha first day of its bid, when Mr Dallas said the worst ontcome for Arco would be to "pay too much" for Aran's assets.

Meanwhile, Statoil said the takeover ·

Aran - wor navian group

companies in the land and Atlantic margin of

Mr Rolf Magne Larsen, bead o Statoil international exploration and production, said: "It will give us a net acreage of around 750,000 acres in these areas, while Aran's existing production will contribute favorrably to Statoil's UK revenues." Mr Larsen beld out the pros-

pect that Aran's directors could have a role with Statoil UK, the Scandinavian group's subsidiary in Britain and Ireland. "We will enter discussions to see if we can agree on future positions for the directors and employees."
Statoil, advised by Ch.

Investment Bank, said the cash offer would be funded from its reserves of more than NKr7bn (\$1.1bn), which would also fund oil projects in Venezuela, Thailand, Vietnam and Angola.

The group did not rule ont furtber acquisitions of western European oil production and exploration companies, but said it would concentrate firstly on integrating Aran.

Aran shares closed np 3p at 78%p yesterday.

US group to spend \$1bn on share buy-back,

group, surprised the market yesterday with a 75 per cent jump in third-quarter earnings per share, or 32 per cent before special items. The company also said it would spend \$1bn on a share buy-back.

The repurchase, partly offset by a \$500m contribution of stock to the Kodak pension and would reduce shares in issue by

ago. Kodak's shares were up \$2% to \$59% by lunchtime yesterday. Much the strongest sales growth contin-

By Roderick Oram.

Consumer Industries Editor

Grand Metropolitan, the British

food and drinks group, yesterday

cbose the management team

which will run the company after

the retirement of Lord Sheppard, its chairman, and for the third

time in 10 years the disappointed candidate in a Grand Met succes-

sion battle swiftly said he was

quitting.
Mr George Bull, 59 and the cur-

rent chief executive, will step up to chairman and Mr John

McGrath, 57 and head of IDV.

GrandMet drinks arm, will

They will take over when Lord

Sheppard retires in March after a

decade in which he transformed

a rambling conglomerate into an international drinks and food

But Mr David Nash, 55 and Mr

McGrath's rival for the number

two position, will leave the group

next January. Based on his two-

become group chief executive.

imaging outside the US were up 11 per cent, at \$1.1bn.

the company was still committed to making it profitable by 1997.

The office copier business remained loss-making. Mr Kavetas said "that is not a

group had been criticised for being slow to reduce costs, there was a long way to go. However, the previous trend whereby expense had risen faster than sales had Manufacturing productivity had

improved in the quarter, both on the camera and other equipment side of the busi-ness, which critics have seen as inefficient, and on the film side.



John McGrath (left) chief executive and George Bull, chairman quite a good balance," one stock- to intellectual argument." broking analyst said. "He's a Lex, Page 14;

NatWest buys Wall Street M&A boutique

By Maggie Urry in New York and The acquisition will be ker-dealership in the US but its sell its US retail banking arm. Mr and acquisition work, its lack of Alison Smith in London

NatWest Markets, the investment banking division of National Westminster Bank, is paying \$135m for Gleacher & Co, a private New York mergers and acquisitions boutique. The deal could presage other takeovers of Wall Street firms, as banks anticipate the removal of Glass-Steagall restrictions in the US which prevent commercial banks owning investment banks.

reporting good

performance numbers for the third

quarter. The shot

in the arm is badly needed. At

the end of 1993 the

good times ran out for the man-

agers running international fixed interest portfolios, and they des-perately want to put behind them

what they view as an unfortu-

nate 18-month performance blip.

For many years it seemed quite easy for the global bond funds to outperform their benchmarks —

usually the world government

bond indices produced by Salo-mon Brothers or J. P. Morgan.

Thus, to draw on a UK pension fund database, the WM universe

of overseas bond portfolios out-

performed the J. P. Morgan World

ex UK Index by an average of 170 hasis points (1.7 percentage points) annually during the five

In contrast; global equity man-

agers have had great difficulty in

outperforming. In those same five

measured by WM fell short of the

return on the FT/S&P Actuaries

World ex UK Index by an average

Why the difference? The global

bond benchmarks are narrowly

defined, covering only the gov-ernment bonds of 13 or 14 com-

tries. But global bond managers

can invest outside that sovereign

group - in emerging market debt.

for example - and they can buy corporate bonds or asset backed securities which offer higher

returns (subject to occasional

credit quality scares). They can also seek to add value by depart-

ing from the benchmark's dura-

tion and currency mix.

of 60 basis points annually.

years to 1993.

financed by NatWest Issuing 13.7m new shares, which the shareholders of Gleacher, its five partners and a number of employees, intend to retain. Mr Eric Gleacher and Mr James Goodwin, who together founded the firm in 1990, said they planned to stay "for the long term" with NatWest. Mr Gleacher will be chairman of NatWest

Markets North America. NatWest Markets includes the largest foreign-owned equity bro-

Barry Riley

Global bond managers

fight 18-month jinx

In contrast, equity managers

have much less scope for moving outside the range of securities

covered by the world index. They

can, of course, adjust their stock

selection and country weightings.

But it appears they face generally efficient markets, as well as high

transaction costs, and by and

Are the bond markets not effi-ciant too? Mr John Bailie of Frank Russell in London, who

monitors nearly 70 managers

running global bond funds for US

pension fund clients, says it has

A large problem

is the failure of

'value' analysis

of currencies

been possible in the past to

exploit certain inefficiencies - for

example, that in many countries

institutional investors are largely

trapped, by statute or custom, in

Global investors able to move

their money around freely have

been able to ontperform. But

these global funds may now be

getting so big - the Russell uni-

verse runs to nearly \$50bn - that

they are dominating their mar-

kets and thus running out of

Alan Higgins of Daiwa Interna-

tional Capital Management (UK)

pointed out that between 1990

and 1993 funds in the WM uni-

verse added value mostly

through currency and duration,

and to a small extent through

market weightings. But since

At a recent conference, Mr

exploitable inefficiencies.

domestic markets.

large they do not add value.

investment banking side is small. Tha Gleacher acquisition will roughly double its staff to 80.

minor British business into a

which he has since retired.

Nash was close. Mr McGrath had

ness and had 15 years of senior

international management expe-

post at Cadbury Schweppes but

his lesser experience in general

management weighed against

"The choice of McGrath is

Mr Martin Owen, chief executive of NatWest Markets, said the purchase of Gleacher was an important step in the development of the investment banking activity and further acquisitions could be expected.

However, analysts in London were puzzled by the deal, which comes less than a month after the bank said it was planning to

ticular, has gone badly wrong. Certainly, 1994 was a terrible

year. Frank Russell's median

manager underperformed the

SBWGBI by more than 400 basis points, and in the WM global

bond universe the median under-

performance was over 500 basis

Was this an aberration caused by a freak bond market crash? No, because when bonds surged

back in the first half of 1995 most

managers were again left well behind. The WM median missed

the index return by another disastrous 500 basis points (and

The dollar-yen rate has been a source of problems. The yen's

strength cost a lot of money in

the first half. But bond managers

who kept their nerve (and their

client base) have seen recovery. Preliminary third-quarter returns received by Russell suggest aver-age outperformance of 180 basis

points, clawing back half of the

Mr Higgins identifies a large

problem as being the failure of

value" analysis of currencies, so

that purchasing power parity has

been no help in understanding or

predicting the dollar/yen or dol-

Mr Bailie points out that in the

past 18 months the indices have

suddenly got tougher to beat. If

this phenomenon persists, clients

could be drawn towards more

restrictive mandates or even for-

That poses the question in

these days of growing fiscal cri-

sis, of whether investors really

want their global bond portfolios

to be increasingly skewed towards the countries that have

the biggest indebtedness and the most endangered currencies.

mal indexation.

lar/D-mark exchange rates.

shortfall during January-June.

the Russell funds by 330).

Owen said the divergent paths being taken showed "how non-attached the businesses are".

One analyst, expecting Nat-West Markets to make further acquisitions, said of yesterday's deal, "it may be a step in the right direction, but there is an

awfully long way to go". Mr Owen expected Gleacher to make a significant impact on NatWest's earnings.

Mr Gleacher said although his firm earned fees from its merger

capital had prevented it participating in lucrative, related financings. With NatWest's backing, he said. Gleacher could treble its

The deal with NatWest Markets dissolves Gleacher's informal agreement with Deutsche Morgan Grenfell under which the two introduced business and shared fees. Mr Gleacher said the firm could have sold to Deutsche but preferred NatWest as they shared the same "vision of the future".

This announcement appears as a matter of record only

£32.5 million Management buyout of Glass's Information Services Limited

Equity provided by:

Hambro European Ventures II

Hambros Unquoted Growth Fund (HUGs)

Kleinwort Benson European Mezzanine Fund II Senior debt and overdraft facility arranged by:

Hambros Bank Limited

Mezzanine debt arranged by:

Kleinwort Benson Mezzanine Capital

Management advised by:

Coopers & Lybrand

Transaction structured and led by: Hambro European Ventures Limited



41 Tower Hill London ECSN 4HA

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INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

General Electric in widespread advance

General Electric, the US conglomerate, produced an 11 per cent rise in earnings in the third quarter to \$1.6bn, and forecast a record figure for the full year. Third-quarter earnings per share, boosted by a continuing \$5bn stock buy-back programme, rose 13 per cent to \$0.96.

Eleven of the 12 divisions increased revenues, led by the financing division GE Capital, the plastics division and NBC, the television network. There was a fall in revenues in the medical systems division. Group revenues rose 19 per cent to \$17.3bn, with about half that coming from acquisitions. Mr Jack Welch, chairman, said globalisation and higher productivity had provided both revenue growth and higher

Group operating margins for the quarter rose from 12.8 per cent to a record 13.4 per cent. Five divisions produced double-digit increases in operating profit, led by NBC, plastics and aircraft engines. NBC benefited from a pick-up in the advertising market, and higher audience ratings, while plastics and aero engines enjoyed higher sales and better productivity. GE's shares were unchanged in early trading at Tony Jackson, New York

Merrill Lynch continues recovery

Merrill Lynch, the Wall Street firm which in August paid \$813m for Smith New Court of the UK, increased third-quarter net income from \$232m to \$300m. However, the gain over the second quarter of 1995 was a more modest 6 per cent. Fully-diluted earnings per share were np from \$1.10 to \$1.46 in the quarter, and from \$1.39 in the second quarter this year.

The Smith New Court acquisition did not have a large impact on the third-quarter numbers. Merrill said it would amortise \$550m of goodwill over the next 15 years, of which \$4m was taken in the quarter, with \$7m of integration costs. In the quarter net revenues rose from \$2.3bn to \$2.68bn, with

all areas ahead. Investment banking revenues increased 44 per cent to \$354m aided by high levels of underwriting and mergers and acquisition activity. Revenues from principal transactions rose only 1 per cent to \$663m, hit by falls in swaps, equity derivatives, municipal securities and mortgage-backed instruments. Maggie Urry, New York

Windows helps Compaq sales

Compaq Computer reported record sales of \$3.6bn for the third quarter, in line with expectations, after Windows 95, the new personal Microsoft operating system, boosted sales in North

Revenues increased 27 per cent from \$2.8bn in the third quarter of 1994. Net income grew 22 per cent to \$245m from \$201m in the year-ago period. Earnings per share moved ahead 19 per cent to 89 cents. Mr Daryl White, chief financial officer, said that weakness in the European market was offset by very strong demand in North America. While shipments of the portable product were only about 20 per cent of the company's target, this was offset by strong desktop and server sales.

For the year to date, Compaq reported revenues of \$10.1bn, up from \$7.6bn. Net income was \$707m compared with \$624m. in the same period last year. Earnings per share increased from \$2.33 to \$2.57, fully diluted. Louise Kehoe, San Francisco

Discounting hits Caterpillar

Caterpillar, the Illinois-based beavy equipment maker, said third-quarter profits fell below year ago levels as dealers cut inventories and price discounting and the weak US dollar dented overseas income. For the quarter ended September 30, Caterpillar earned \$213m or \$1.07 a share, down from \$244m, or \$1.20, in last year's third quarter. Revenues rose to \$3.7bn in the quarter, from \$3.5bn in last year's third quarter. Caterpillar's shares were \$1 lower at \$54% in early New York

trading. The company said it expected 1996 sales to be similar to those of 1995. The company's US sales slipped 6 per cent in the third quarter to \$1.63bn. Sales outside the US, which ited 54 per cent of third-quarter revenu s. rose 1 cent to \$1.94bn. Laurie Morse, Chicago

New products boost US pharmaceutical groups

Rapid growth from promising new drugs were in evidence in the third-quarter results from US pharmaceuticals companies

yesterday. Sales at Merck, the biggest US drugs company, were 10 per cent higher than in the third quarter of 1994 at \$4.2bn. Net profits also rose 10 per cent, to \$862m, and earnings per share were up 13 per cent at \$0.70. Sales were depressed by tax

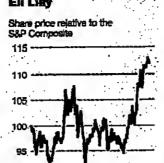
charges related to the forma-

tion of a joint venture with

Astra and asset sales. The joint venture sells the ulcer drug Losec, whose thirdquarter sales were below analysts' expectations at \$320m. Merck shares were trading down \$% at \$58% yesterday

Merck said its overall sales growth was led by newer prod-ncts and by the Merck-Medco

and Astra shares fell SKr7 to



managed care business. Good sales growth was recorded from Vasoctec, a beart drug. and the cholesterol lowering drugs Mevacor and Zocor. Merck claimed it has 40 per cent of the global cholesterol lowering drug market.

Source: FT Extel

Disposals also affected thirdquarter figures from Eli Lilly,

DRUG	COMPANIE	S: THIRD	QUARTER RE	SULTS
		Change/%	Net profits/\$m	Change/%
ferck	4.171	23-	861.9	10
Li Lifty	1,631	8	318†	unchanged
	831	3	133‡	4
lpjohn fizer	2,624	27	425.3	26

where a net profit of \$1.23bn, compared with \$318.7m a year ago, was swollen by a \$910m after tax gain from the divestment of its medical devices and diagnostics businesses. Sales rose 8 per cent to \$1.63bn.

Third-quarter sales of its antidepressant Prozac were \$580.7m, up 7 per cent from the same period s year earlier. This growth had been beld back by an accumulation of domestic wholesaler inventories and compared with 20 per cent growth for the first nine months of 1995 from the same

Textuating eases whe are remained or personal resistance of the Medical Devices and Degressics unit Plandating after tax gets of SSTAOm from the diversiture of the Medical Devices and Degressics unit #Destruing operators adjusted for trusted items Lilly's spending on research and development rose 19 per cent in the quarter, mainly due to clinical trial and development costs for products in the later and most expensive

phases of clinical research.

The company said it would make a two-for-one stock split and increase its dividend by 6.2 per cent. Its shares were trading \$1% lower at \$93 yesterday. Sbareholders in Upjobn approved the proposed merger with Swedish drugs company Pharmacia as the company published third-quarter results. It said stripping out unusual

Share price relative to the S&P Composite

Source: FT Extel items and a change in its effective tax rate left third-quarter sales up 3 per cent at \$831m and profits np 4 per cent at

The company was hit hard by competition in the US from manufacturers of generic unbranded products. US drugs

sated for by a .13 per cent increase in non-US sales which were the result of volume, rather than price, increases.

Pfizer, which announced its third-quarter results late on Monday, lifted sales by 27 per cent to \$2.6bn and net profits

by 26 per cent to \$425m. Growth was led by a 59 per cent increase in sales of a heart drug Norvasc, to \$330m Norvasc is now the company's best-seller, having overtaken Procardia XL, another cardiovascular drug, whose sales were flat at \$292m.

Rhone-Poulenc Rorer, the US drugs company controlled by Rhône-Poulenc, the French chemicals company, yesterday received approval from an advisory panel to the US Food and Drug Administration to sell its cancer drug Taxotere. This reverses an earlier opin-

ion which was concerned that the drug was unsafe.

Time-Warner held back by

Double-digit earnings increases in publishing, film entertainment and television programming only partly compensated Time-Warner group for continuing losses in its fledgling WB Network division and a \$85m charge in the music business in the third quarter of the current year.

The fast-expanding cable television business also showed a 9 per cent profits rise, reflecting an industrywide recovery from recent rate

The group, which is in the throes of a merger with Turner Broadcasting System, ended the quarter with profits before taxes, interest, depreciation and amortisation down about 2 per cent at \$729m and on revenues up 6 per cent at \$4.34bn. Nine-month earnings were still ahead - up 6 per cent at

Mr Gerald Levin, chairman, said he was pleased with the underlying health of the busi-ness which was demonstrated by a record nine-month profit.

division which produces Fortune and Time Magazine,

strong magazine advertising the year.

Commenting on the group's \$390m total income for the quarter from its cable televi-

segment of the long distance

business, with revenues up by

more than 50 per cent from last

year. Sprint was the largest

carrier in Internet business

with more than 60 per cent of

The company operates in the

local market, in addition to

long distance carriage, where

it saw operating income rise

15.7 per cent from \$252m to

For the future, Mr Esrey said

the company's oational com-

munications venture in collab-

nies Comcast Corporation, Cox

Communications and Telecom-

munications Inc. will be able to

reach almost 40 per cent of the

tember 30, revenues increased

Chicken) offset another quar-

ter of losses at Taco Bell, lift-

ing profits in the restaurant

division 16 per cent to \$254m. Earnings in the snack food

division continued to be ham-

pered by the crisis in Mexico.

which was PepsiCo's most

important international mar-

ket. Operating profits for inter-

national snack foods slipped 18

Overall, however, s 7 per

cent increase in domestic

snack food profits helped the

division to profits of \$288m, up

1 per cent on last year. Volume

growth of US-sold snacks out-

stripped profit growth at 11 per

cent because of investment in

new products and distribution

PepsiCo's line of "Better for You" products contribution

You" products contributed nearly half of the US volume

growth as sales of fat-free pret-

zels, baked corn chips and sal-

sas rose more than 20 per cent.

with its share buy-back pro-

gramme, having purchased

9.5m shares this year as of .

I per cent of the total shares

outstanding. PepsiCo said it

intended to buy 1 per cent to 2

The company is proceeding

per cent to \$66m.

methods.

100m households in the US.

oration with the cable compa

international Internet traffic.

\$242 in the same period last year, Mr Levin said noted the impending acquisition of Cablevision would bolster its on-line customer list by 2m subscribers.

Cable's advertising and payper-view revenues rose during the quarter, while the subscriber base grew 6 per cent after subtracting the effects of acquisitions. Music's earnings in the quarter dropped from \$172m to \$142, partly because of charges resulting from restructuring and the closure

Omitting the effects of the charge, the company said ninemonth pre-tax earnings were a record \$480m.

Home Box Office, the popular programming operation, earned a record \$74m in the review period - up 12 per cent - increasing profits for the year so far by 13 per cent to \$220m. Warner Bros films, bolstered by the success of Batman Forever, reported earnings up 13 per cent st \$129m.

The WB Network lost \$7m in the quarter, bringing the cumulative 1995 deficit to \$40m

GM shows strongest third period since 1988

By Richard Waters in New York

General Motors recorded an improvement of \$800m pre-tax; in the results of its core north American car and truck business in the three months to the end of September, enabling the group to report its best third-quarter profits since

However, GM's European operations, hit by the start-up costs of Opel's new Vectra and the strong German mark, slumped to a loss. Together with weaker results in Latin America, this contributed to a pre-tax loss on international operations of \$117m, compared with a profit of \$243m a year

before.
Overall, the group reported. after-tax profits of \$642m, up 16 per cent from a year before. Earnings per share rose to 42 cents, from 40 cents.

Both periods benefited from lower-than-normal tax charges, which added 15 cents a share to net income in the latest period and 31 cents a share in the 1994-period, GM said.

The group's profits for the quarter, traditionally the weakest of the year for car makers; because of model changeovers, were generated almost entirely by its nonautomotive businesses. EDS, the data processing

and consulting business which is scheduled to be spun off. from GM, reported a 14 per cent rise in after-tax earnings to \$246m; Hughes Electronics registered a 5 per cent advance in post-tax earnings, to \$256; and net income at General Motors-Acceptance Corporation, the group's financial services arm, rose 4 per cent by \$254m.

The improvement in GM's north American operations, which recorded a pre-tax loss of \$185m in the quarter, stemmed mainly from lower materials costs and lower overtime - Pand · pension expenses, said Mr Michael Losch, the group's chief financial officer.

The level of incentives paid to stiract buyers - \$670 a vehicle, compared with \$714 in the previous three months will-\$935 ar year ago - was likely too remain stable in the finalquarter of the year, Mr Losch

much revenue in other curren-

sion interests, compared with Time Inc, the publishing cuts imposed by the regulators.

By Christopher Parkes in Los Angeles

Sprint, the second-largest US

long distance carrier, yester-

day reported record third-quar-

ter results, with increases in

operating profits across all its

Net income increased 16.7

per cent to \$269m, or 76 cents a share, from \$230m, or 66 cents,

in the same period last year.

Operating income rose 15.6 per

cent from \$470m to \$544m,

while revenues grew 6.4 per

said the company's long dis-

tance operations had achieved

a double-digit profit margin for

the first time: "It was a very

positive quarter for our long

distance operation. De said.

"The strong gain in operating

profit and a 10.1 per cent oper-

Friday, 20 October

Monday, 23 October

Monday, 23 October

Friday, 27 October

Friday, 27 October

sday, 15 November

fednesday, 15 November Thursday, 16 November

Thursday, 16 November

Friday, 17 November

Monday, 20 November

Wednesday, 22 November

Mr William Esrey, chairman,

cent from \$3.23bn to \$3.44bn.

By Atan Cane

business units.

\$2.3bn, on turnover up 11 per cent at \$12.6bn.

Share price relative to the S&P Composite

1995

ating margin is the result of

the emphasis on business pro-

cess improvements across the

He said data communica-

By Lisa Bransten in New York

PepsiCo, the US food and soft

drinks group, yesterday reported net income up 14 per

cent in the third quarter led by

strength in the soft drink and

It posted profits of \$616.8m

on sales of \$7.7bn compared

with profits of \$541.4m on sales

of \$7.1bn in the same period

last year. Earnings per share

were 77 cents compared with

PepsiCo sbares lost \$% at

\$51% in early trading, although

earnings came in a cent ahead

of the median analyst forecast.

Since the start of September,

however, the shares have

Growth was particularly strong in international drinks

where operating profits increased 12 per cent to \$115m

in the last quarter, as volumes

grew by 40 per cent in Brazil.

Volumes were lower in

Mexico as a result of the sharp

recession there. In the US oper-

ating profits rose 8 per cent to

\$347m, helping overall profits

in that division to rise 9 per

Gains at Pizza Hut and KFC

(formerly Kentucky Fried

restaurant divisions.

68 cents in 1994.

gained nearly \$7.

restaurant sales

110 ---

yielded a 10 per cent earnings rise to \$36m - a "truly remarkable" result in the light of sharp increases in newsprint costs, said Mr Levin. Postal costs also rose, but

sales and good results from the Oxmoor book publisher kept the subsidiary on track for a possible earnings record for

of a direct marketing business. All divisions contribute to record Sprint result

Share price relative to the

GTE

110

105 -

for the third quarter wss \$684m, 11 per cent ahead of the \$609m recorded last time. Consolidated revenues and sales rose 4 per cent from \$4.93bn to \$5.12bn. The figures excluded \$66m of revenues attributable to non-strategic telephone properties and the satellite communications business, sold in 1994. Mr Charles Lee, chief executive, said the results benefited

\$10.08hn, while net income was

1995 Source: FT Extel

up 12.7 per cent from \$655m to • GTE Corporation, the larglast year, while revenues

from strong demand in both the fixed link and wireless business. Network usage increased 10 per cent, while cellular customers grew 41 per For the nine-month period, net income rose 9 per cent to

est US local telecoms operator, increased 4 per cent to tions was the fastest growing 7 per cent from \$942bn to said consolidated net income :\$14.93bn. PepsiCo rises on | Marlboro exports lift Philip Morris

Strong international sales of Philip Morris, the branded goods manufacturer, to increase earnings 17 per cent in the third quarter to \$1.4bn. Earnings per share, boosted by s \$6bn stock buy-back programme, were up 20 per cent at \$1.71...

Operating profits from domestic tobacco were np 13 per cent at \$972m on sales I per cent higher. The company attributed the rise in margins to a price increase in the second quarter, s return to premium brands and higher productivity. US cigarette volume, st 56bn, was down 2 per cent, compared with a 3 per cent decline for the industry. Mariboro volume was up 0.3 per cent st 36.5bn, giving the brand s claimed market share of 30.6 per cent against 29.1 per cent the year before. International tobacco made

\$949m in operating profit, a rise of 19 per cent, on sales up Monday. That represents about 15 per cent. Volume was up 12 per ceot to 161bn clgarettes, with volume in eastern Europe up 46 per cent. France suffered per cent of outstanding shares | a drop in volume after a price in each of the next two years. | increase on August 1. The com-

By Tony Jackson in New York pany claimed to have increased market share in countries including Germany, Italy, Marlboro cigarettes helped Japan, Korea and Argentina. It recently announced plans to expand capacity at its plants in North Carolina and Kentucky, chiefly to serve overseas mar-

\$1.81bn from the same period

The food business worldwide made operating profits of \$907m - up 7 per cent - on sales up 4 per cent. In North America, Kraft Foods made \$621m profit, again up 7 per cent on higher volume and lower costs after rationalisation. Volume was up in drinks. processed meat and coffee, but down in breakfast cereals In western Europe, food-vol-

ume slipped on weak demand and increased competition in coffee, confectionery, cheese and grocery products. In developing markets, volume was Miller beer made operating

profits of \$119m, up 7 per cent, on sales up 2 per cent in a flat market. Beer volume was up 1 per cent at 12.2m barrels. mainly from Miller Lite and

September, fell \$% to \$84% in early trading.

That contrasted with Chrysler, which has been forced to increase incentive payments this year to clear out old models in preparation for new vehicle launches. General Motors' European operations lost \$88m after tax

(s pre-tax figure was not available) during the third quarter, in part because of the cost of introducing the Vectra.

Red Dog in the US.

Philip Morris's shares, which have risen strongly since early had too much cost in Deutsche Marks and too

Citibank bucks trend with 2% decline in profits

By Richard Waters

cent to \$462m.

A group of big US banks, led by Chemical Banking, posted further strong profit gains in the third quarter, aided by renewed borrowing by consumers and the effects of recent cost-cutting afforts. Citibank, meanwhile, recorded a 2 per cent decline in reported profits for the period on a higher tax charge.

Citibank's overall results disguised continued growth in its retail banking operations, particularly in emerging markets. After-tax profits from retail branch banking and retail branch banking and citizant's surface credit card operations in the news, dropping \$1% to Non-interest income fell to hold its expenses for 1995 to emerging markets jumped 20 \$72%. At that level, they are 75 slightly to \$377m, in spite of a per cent to \$201m, due mainly per cent higher than at the jump in corporate finance fees, to reduce them.

to expansion in Asia. The consumer businesses in the developed world recorded net income of \$321m, a gain of 5 per cent. Profits from its worldwide

wholesale banking business. however, fell 19 per cent to \$351m. The result reflected a provision for credit losses of \$36m, compared with recoveries of \$60m a year earlier. amounted to \$877m, or \$1.62 a."

or \$1.67, a year before. The group's tax rate rose from 29 per cent to 37 per cent. Citibank's shares eased on

share, compared with \$894m,

beginning of the year, the most dramatic advance of any big \$157m. Like Chase Manhattan lower tax rate of 40 per cent. Citibank said it had repur-

chased \$750m of its own shares in the latest quarter, at an average price of \$65.80. Chemical, meanwhile, beat expectations with a 9 per cent

advance in after-tax profits to \$477m, or \$1.70 a share. The results partly reflected an 11 Overall, net income per cent jump in loans outstanding to \$86bn. That more than offset the effect of lower lending margins, with the net yield on interest-earning assets falling from 3.63 per cent to 3.34 per cent.

and J. P. Morgan, which have already reported results, Chemical benefited from strong US syndicated loans and corporate bond markets. This was partly offset by a \$36m loss on the sale of some developing market

Chemical's non-interest expenses fell 4 per cent to \$1.3bn, partly reflecting the reduction in premiums paid to the Federal deposit insurance scheme, a factor which has underpinned other banks' earnings in the latest quarter. to hold its expenses for 1995 to

compared with 41.5 per cent.a. year before.

Among other banks to report yesterday, Banc One registered a 22 per cent jump in after tax profits to \$331m, or 83 cents a share. The Ohio-based regional banking group said loans and leases averaged \$69bn in the period, up more than 13 per cent from a year ago.

Banc One was unusual among US banks in recording a net interest margin of 5.39 per cent up from 5.26 per cent a year before. That reflected a shift to more profitable consumer lending, as well as the repricing of some fixed-rate loans at higher rates.



DURBAN ROODEPOORT DEEP, LIMITED

Registration No. 01/00926/06 Incorporated in the Republic of South Africa ("Durban Deep")

Salient dates of the rights offer

Introduction

Further to the announcement dated 16 October 1995, regarding the terms of the rights offer whereby 2 640 000 linked units ("the linked units"), will be offered to ordinary shareholders of Durban Deep and holders of Durban Deep share warrants to bearer. Rand Merchant Bank Limited and Societé Générale Strauss Turnbull

application has been made to The Johannesburg Stock Exchange ("the JSE") for a listing of the renounceable (nil paid) letters of allocation to be issued in terms of the rights offer ("the letters of allocation") from Monday, 23 October 1995 to Wednesday, 15 November 1995, both dates inclusive;

application has been made to the JSE for listings of the 2 640 000 convertible fixed rate (8%) preferred ordinary shares and 2 640 000 options to subscribe for one ordinary shares and the options" together the linked units) from Thursday, 16 November 1995; and

ordinary shares and the options" together the linked units) from Thursday, 16 November 1995; and

application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the LSE") for the preferred ordinary shares and the options to be admitted to the Official List it is expected that conditional dealings in the linked units (nil paid) will commence on the LSE on Monday, 23 October 1995 and it is expected that admission will become effective and that unconditional dealings in the linked units (nil paid) will commence on the LSE on Friday, 27 October 1995. It is expected that separate dealings in the preferred ordinary shares and the options will commence on the LSE on Monday, 20 November 1995. The letter of allocation and other requisite documentation will be lodged with the South African Registrar of

Companies and will be delivered to the UK Registrar of Companies. Record date to determine those Durban Deep ordinary shareholde endded to perticipate in the rights offer (16:30 in South Africa and 15:30 in the United Kingdom)

Listing of the letters of allocation commences on the JSE (09:30) Conditional dealings in the linked units (nil paid) commence on the LSE (08:30) Rights offer opens on the JSE and on the LSE (09:30 and 08:30 respectively) nconditional dealings in the linked units (nil paid) commence on the LSE (08:30) Last day for dealing in the letters of allocation on the JSE (14:30)

Last day for splitting

- the linked units (nil paid) in London (14:30)

- the letters of allocation in Johannesburg (14:30) Listing of the preferred ordinary shares and the options commences on the JSE (09:30) Rights offer closes on the JSE and the LSE (14:30 and 12:30 respectively) and the last day for payment (14:30 in South Africa and 12:30 in the United Kingdom)

Dealings in the preferred ordinary shares and the options (fully paid) commence on the LSE (08:30)
Last day for receipt of postal acceptances (14:30 in South Africa and 12:30 in the United Kingdom) Share certificates in respect of the preferred

ordinary shares and options posted on or about Any changes to the above dates will be published in the press.

The rights offer carcular, together with the letter of allocation, is to be posted to ordinary shareholders of Durban Deep on Friday, 27 October 1995. Copies will be available for inspection at the registered office of Durban Deep, Main Reef Road, Florida, Johannesburg and at the office of Viaduct Corporate Services Limited, 19 Charterhouse Street, London, ECIN 6QP from Friday, 27 October 1995 up to and including Friday, 17 November 1995. Sandton, 15 October 1995

MERCHANT BANK LIMITED

(Registration Number 68/13988/06)

International financial adviser and underwriter



SOCIETE GENERALE STRAUSS TURNBULL SECURITIES LTD

[Registration number 394201] Member of The Securities and Futures Authority and the London Stock Exchange

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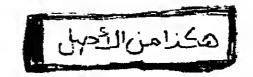
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INTERNATIONAL COMPANIES AND FINANCE

ceiling for stakes in Eni sell-off

E / A.K. ... Hill in Milan

The Italian government has set a ceiling of 3 per cent on individual stakes in Eni, the stateowned energy and the micals company which sho be partially privatised be: .e the end of this year.

The treasury, which owns all Eni's shares, introduced new safeguards for small investors at a special Eni sbareholder meeting late on Mnnday. They include Italy's first "golden share", introduced under 1994 rules aimed at protecting companies in strategic Italian industries.

Eni also confirmed it would seek a listing for its shares on the New York Stock Exchange. Three other state-controlled or former state-controlled companies are already listed on Wall Street: Imi, the banking group; Ina, the insurer; and Stet, the telecoms holding company which should be fully privatised next year.

The treasury, which air is to sell between 10 per cont and 15 per cent of Eni, is trying to send a strong signal, especially to potential international investors, that the flotatinn will not be marred by a lack of transparency or undue influence of large shareholders.

The new measures - similar to those introduced for last year's partial privatisation of

Ina - seem particularly aimed at preventing Mediobanca, the Milan merchant bank, and its principal corporate alli..., om establishing a dominant position at Eni.

International investors were irritated by the way in which Mediobanca's allies achieved effective control of Credito It-1iano and Banca Commerciale Italiano by Luying up small stakes in the ,993-94 privatisa-

The "golden share" rules will for the first time give the treasury the power to reject shareholders who want to bny a full 3 per cent stake, and to veto important decisions, such as mergers or disposals.

As at Ina, the rules will also treat the shares of investors which are already linked in nther companies' sbareholder syndicates, as though they belong to a single shareholder. In addition, the Eni hoard

will be elected using a list-voting mechanism, which reserves some directors' seats for small shareholders' nominations, and postal voting will be intro-

But the size of the Eni issue - it could be the biggest share placement ever - and the fact that the treasury will retain a large majority stake, are themselves likely to limit shareholders' ability to take effective control of the company

RCS delays meeting

By Andrew Hilf

RCS Editori, the loss-making Italian publishing and media group, yesterday postponed the hoard meeting called to consider an increase in cepital and to examine its difficult financial situation.

Gemina, the investment company which owns 93 per cent of RCS, said it had asked the publishing company to delay yesterday's meeting to give Gemina's new directors time to look at the group's position.

Gemina reshuffled its board at a late-night emergency meeting on Friday, appointing

committee, in what seemed to be an attempt to ward off further judicial inquiries into the mounting losses at RCS.

In a characteristically brief press release issued last night, Gemina said the aim of the postponement was "to supply the market, before November 20 1995, in a single context, with an overall picture, which will take account of the amount necessary for the forecast recapitalisation of RCS".

The announcement could further exasperate Italian stock market regulators, who have attacked Gemina for its failure to provide adequate

Italy imposes 3% Thomson may be privatised next spring

By John Ridding in Paris

Thomson, the French ele_uronics and defence group, could be privatised in the spring of 1996, according to a finance ministry report which has been srimitted to the Istipnal Assembly

The report also mentioned sanque Hervet as a candidate for sale next year and confirmed plans to sell Assurances Générales de France once shares in the French insurer have recovered. France's conservative gov-

ernment is aiming to achieve receipts of some FFr22bn (\$4.4bn) from the sale of public f. Lowing a target of FFr40bn

nlike under previous F :nch governments, the procrads will not be used to cut directly the budget deficit, but

will be used to reduce the public sector debt and to finance capital injections for state comsince taking office in May. the government of Mr Alain Ji ppé, the Gaullist prime min-

ister, bas already privatised. Usinor Sacilor, the steel giant. Including the sale of Setta, the tobacco group which was privatised under the previous government earlier this year,

sector companies next year, total receipts for 1995 have so far reached more than FFr17on.

Further issues expected this year include Pechiney, the aluminium and packaging concern, and Renault, the automotive group which was floated at the end of 1984.

The full privatisation of the motor vehicle manufacturer, however, has been delayed by a sharp fall in its share price and gloomy prospects for the French and European car industry.

The sale of a stake in Caisse Nationale de Prévoyance, the life insurer, is also possible by the end of the year.

SGS-Thomson

believe that the government may seek to float a stake in Framatome, the nuclear power technology group.

Thomson was among the 21 companies slated for privatisation by the previous government of prime minister Mr Edonard Balladur. However, the operation has been compli cated by the structure of the group, which includes consumer electronics, multimedia

and defence activities. Thomson also has a shareholding in SGS-Thomson, the Franco-Italian semiconductor

manufacturer. The sale of the group may restructuring measures.

Some industry observers also also depend on government decisions concerning the restructuring of the country's defence industry.

Many observers regard this as necessary to increase the efficiency of French arms manufecturers and to strengthen their competitiveness against international rivals.

Other possible candidates for sale include Crédit Lyonnais. the banking group which has undergone a radical rescue programme, and Air France, the loss-making national airline.

Neither company is seen as a candidate for rapid sale, however, partly because of ongoing



Alain Juppé: will use proceeds

Contender powers up for semiconductor wars

John Ridding on the SGS-Thomson strategy for a fast-looming sectoral showdown over market share

n the outskirts of Marseilles, the sprawling port city in southern France, work will start shortly on a new semiconductor plant for SGS-Thomson. The first chips are due to roll out of the factory at the heginning of 1998, after a total investment of about FFr4bn (\$800m).

The project reflects the growth being enjoyed by the

world semiconductor industry and the ambitions of SGS-...uson, one of the leading European contenders in the field. It also helps explain why the Franco-Italian group has launched a share issue worth an estimated FFribn, its second c'l n the market within

If the need for funds in the apital-hungry industry is lear, questions remain for prospective investors.

The most important relate to the attractions of the publicsector company - something of an oddity in an industry dominated by privately-owned US and Japanese rivals - and to the prospects for the traditionally cyclical and volatile markets in which it is competing. For many observers, the attractions of SGS-Thomson

are demonstrated by its record

and financial results in recent years. Since its formation in 1987 through a merger between Thomson Semiconductors of France and SGS Microelectronics of Italy, the combined company has rapidly transformed industry inggard which was losing m et share in the face of truer onr' competition. Profit m. than doubled to \$363m st year while figures releas : ca: ! wee!, showed further : rong growth in 1995 with an increase in net earnings from \$253m to \$358m for the first nine months.

In terms of market share, SGS-Thomson has climbed to 13th place and is in striking distance of the top 10.

The reasons for such growth range from the boom in the industry to restructuring and productivity programmes implemented by Mr Pasquale Pistorio, the Italian chairman who bas run SGS-Thomson like a private sector concern.

hey have targeted high owth markets such as semiaductors for telecoms and e auto sector," says Mr Bill cClean: vice-president of Inteated Circuit Engineering, the

-izona-based research and

consultancy group. "They have be:ome a formidable competitor," he adds. investors appear to agree. SGS Thomson's shares have surged, climbing from FFr119.95 at their issue on the

Paris and New York stock mar-

kets last December to FFr221

"It has been an astonishing performance," says one industry analyst at a French securities company. "But investors need to know whether the party is drawing to an end."

ve to the SBF 120 Index R&D expenditure 89 . 83 Source: FT Extet; Company

believe it is. "We are nearing the peak of the market," says Mr McClean.

art of the reason is an increase in capacity, illustrated by SGS-Thomson's new plant, but widespread across the industry. There are 15 companies trying to get 10 per cent of the market and that will ultimately create problems," says one analyst. He predicts the slowdown will he clearly felt by 1997.

But other observers stress that the semiconductor market has become less cyclical and few expect the downturn to be

abrupt ICE and other market research groups forcuast growth of about 20 per cent in 1996. They also admit to difficulties in accurate predictions, pointing to the fact that expected semiconductor sales of more than \$130bn this year are much higher than originally expected.

SGS-Thomson bas some advantages in responding to increased competition and tighter margins in the event of a downturn. Although outside the top 10 in the industry, it has a dominant position in certain market segments.

With annual sales of more than \$1bn, it is the world's largest player in the analogue semiconductor market, which supplies chips for a range of industries from telecommunications to the automotive and audio industries - and which is relatively resilient to market swings.

By contrast, SGS-Thomson is not present in the market for D-Rams, commodity memory chips which have benefited most from the current industry boom, but which are the most volatile segment of the market.

The Franco-Italian group has a relatively diverse geographical base, having expanded its presence in the US market. It has a strong position in mixed signal devices and chips for consumer smart cards and in high growth areas, such as Flash memory chips, which are reprogrammable within an

electronic system. More recently, it has made an aggressive push into the microprocessor market.

Earlier this month the company said it planned to produce the MI microprocessor developed by Cyrix of the US, and a competitor to Intel's Pentium device - by the middle of next year. "It is a good market contender.

lyst, "although the competition against Intel will be very

Like many analysts be believes that SGS-Thomson's current sbare issue bolds attractions. "Despite the rise in the price, the shares are still on a multiple of about 12 times expected 1995 earnings," says

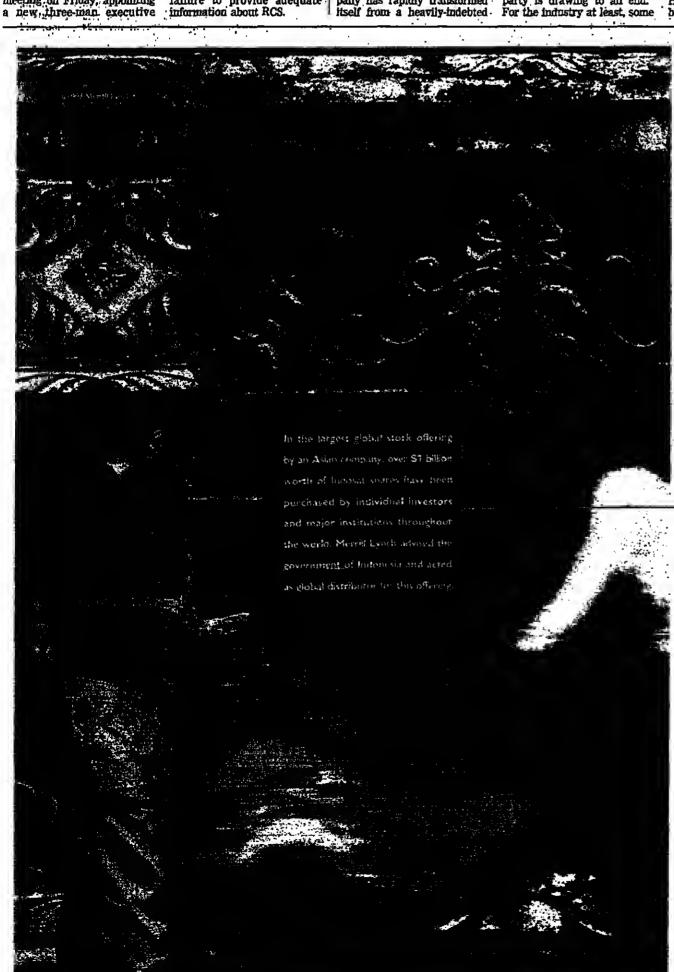
nne Paris analyst. Mr Remy Thomas at Cholet Dupont estimates that earnings per share will be slightly diluted in 1996, but emphasises the company's strong growth

thers onlookers warn, however, that the sharp rise in SGS. Thomson's share price will be hard to sustain and that investors may be called on again in

the future. The heavy financial requirements of the industry and the fact that the French and Italian state shareholders lack the necessary funds suggests further capital raising operations, possibly tied to an ultimate privatisation.

"The fight for market share is an expensive business. But it will determine the winners and losers in the international semiconductor market," says one industry executive.

As the new plant near Marsellles suggests, along with a steadily rising investment programme, the message has not been lost on the Franco-Italian



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THE DIFFERENCE BETWEEN STATE OWNERSHIP AND WORLD OWNERSHIP

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Banco Econômico S.A. Sob Intervenção ("Banco Econômico") inlends to receive and evaluate offers for the acquisition of its petrochemical interests, which include primarily Compania Nordeste de Participações ("Conapar"), a petrochemical holding company based in Salvador de Bahia, Brazil.

Conepar is the leading participant in the Camaçari petrochemical complex-the largest and most modern in Brazil and ona of the must important in Latin America. Banco Econômico controle 63.8% of the ordinary shares and 31.9% of the preferred shares of Conepar, which together represent 56.3% of the total capital of Conepar. Conepar's assets include a hereholdings in: Copene-Petroquimics do Nordeste S.A., Clquine S.A., Poliaiden Petroquimics S.A ts include minority ahareholdings in Copesul-Companhia Petroquimica do Sul, and Ciquine S.A.

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A number of minority shareholders of Usines Siderurgicas de Minas Gereis S.A. - Usiminas ("Usiminas"), including Banco Económico S.A. Sob intervenção ("Banco Economico"), intend to receive and evaluate offers for the acquisition of their stake corresponding to approximately 10% of the common share capital of Usiminas, or 5% of the total share capital. According to an existing Shareholders' Agreement, certain shareholders of Usiminas have a preemption right on the shares that are the

Usiminas is Brazil's largest producer of uncoated steel products. Usiminas' net income in 1994 was USS 344 million on total sales of USS 1,832 million.

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EQUITY-UNKED ZERO COUPON NOTES DUE 1995
ISIN CODE : X50034142593

ISIN CODE: X50034142593
In occordance with the Terms and Conditions of the Notes, notice is hereby given that, pursuant to paragraph [C] [1] "Redemption Amount" of Condition 5. "Redemption and Purchase". The Redemption Amount applicable upon redemption of each Note will be:
FRF 12.565, per denomination of FRF 10,000
FRF 125 652, per denomination of FRF 100,000
calculated by applying the following formula:
P+[1.25* CI-CO]
CO
constitut that in an event shall the Redemption Amount be less than the exercised

provided that in no event shall the Redemption Amount be less than the principal amount of the Note, nor greater than 180 % of the principal amount of the Note.

where:

"P" = FRF 10,000 and FRF 100,000 (the principal amount of each Note)
"C1" = FRF 921 (the arithmetic mean of the quoted share prices on the Pails Stock Exchange of one Share as at 11,00 am and 3:00 pm (Pails lime) on October 10, October 11 and October 12, 1995
"C0" = FRF 764.18 as adjusted on July 6, 1994
Payment of principal will be made an October 24, 1995 in accordance with Condition of "Payments" of the Terms and Conditions of the Notes.

**CORNAL SOCIETE GENERALE PARIS GROUP

The Principal Paying Agent : SOGENAL - SOCIETE GENERALE PARIS GROUP 15, Avenus Emila Router - LUXEMBOURG

RPS Residential Property Securities No.4 PLC Class Al Notes ortgage Backed Finating Rate Notes due 2023 principal e-payment of 15,484 per ին Նաևայումը հարդայա բաժառացական the third at 1995 The unit interning in the November 1995 will throbounds 126,155 per Vols.

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INTERNATIONAL COMPANIES AND FINANCE

Russian oil privatisation plans stir controversy

By John Thornhill in Moscow

Russia's privatisation agency has announced plans to sell the state's shareholding in some of the country's mostprized oil companies over the next two months. However, the speed of the process and restrictions on foreign participation have raised doubts about the level of demand.

The government is committed to selling packets of shares in several of Russia's biggest oil companies, including Sidanco, Lukoil, and Yukos, m series of tenders by the end of the year. But its programme immediately ran into coutroversy with some of the companies concerned.

Sidanco, which owns extensive reserves in Russia's far east, vesterday expressed dissatisfaction with the proposed

sale of 51 per cent of its shares and said it would not co-operate in the process. Oil companies fear unfriendly Russian banks might acquire a stranglehold on their businesses and there is speculation some man-agers will buy up shares on their own behalf to entrencb

their control.

The agency said it would auction 5 per cent of Lukoil's shares on November 17 as part of a controversial scheme in which groups of Russian banks will loan the government money in return for holding the shares in trust and benefit-ing from any capital increase over the next three years. The \$35m starting price for

the Lukoil auction appears to have been set well below the prevailing market price, suggesting the government does not expect strong demand. The

auction will not be open to foreign investors or organisations with more than 25 per cent foreign capital

"Given the prohibition on foreigners becoming involved, the people most likely to buy shares in the oil companies are the Russian banks. But they would not appear to have that much money following the liquidity problems on the interbank market." said Mr Stephen O'Sullivan, Russian oil industry analyst at MC Securities, the London-based investment

Separately, Lukoil, which accounts for 15 per cent of the country's crude output, vesterday announced it would offer 16 per cent of its shares in an investment tender later this year to raise money for reequipping its refineries in Perm and Volgograd.

An upwardly mobile investment

nvestors frustrated with Austria Mikro Systeme the marginal price move-ments of leading shares on most European stock exchanges can always turn to

So far this year, an investor could have ridden Maculan, a once high-flying construction group, down from a high of Sch905 to a recent low of Sch165

Or they could have bought Austria Mikro Systeme Inter-national (AMS), a maker of specialised microchips, for a very different result. At the beginning of the year AMS shares were trading at about Sch820 - now the investor would be looking at a value of Sch1.840.

The key to the excitement about AMS is the booming mobile telephone market. The company is a leading maker of custom designed microchips for all types of mobile telephones, and has seen its business soar since going public at Sch336 per share a little over two years ago. It also makes chips for other

growing uses, such as trigger-

WB Index



ing air bags in cars and reading bar codes at supermarket check-outs.

Its sales have riseo from Scb724.6m in 1992 to Sch1.1bn (\$110m) last year while earnings per share doubled from Sch25 in 1993 to Sch53 last year and are forecast to double again this year to Sch119. In the first half, AMS lifted sales 66 per cent to SchS14m and net profit more than dou-

bled from Sch43m to Sch102m. AMS, formerly a small part

of the sprawling state-owned Voest-Alpine group, has been as surprised as everyone else by this rapid growth.

At the beginning of the year. Kleinwort Benson, the group's international financial adviser. was still forecasting only Scb44 a share for 1994 and Sch53 for

Growth is now being held back by the lack of production capacity, which the group has addressed by acquiring controlling interests in two competitors, one in eastern Germany, the other in Sonth Africa.

In the next few days, it intends to launch a one-for-five rights issue on the 2.5m shares outstanding to finance these investments. The move could bring some earnings dilution next year, but investors still remain upbeat.

The shares are now widely held, mainly by US and UK investors. AMS is one of only two former Austrian state owned companies in which the state did not retain a residual stake following flotation.

Ian Rodger

Linotype warns of full-year loss

Linotype-Hell, the German industry, said yesterday it would incur a loss this year after business had failed to recover from a slow start.

It plans to cut its German workforce by up to 300 by mid-1996 from the present 2,450, in line with the reduced sales vol-

Together with new products and an improved dealer network, Linotype said this

should improve business in the medium term. The news pushed the compa-

manufacturer of pre-press of 15.5 per cent to DM169 on incurring a net loss of equipment for the printing reports that a capital restruct. DM13.9m in the first half uring was planned Linotype again denied this

"vehemently" yesterday and said its capital structure was healthy, with equity comprising 50 per cent of its balance

The company, in which Siemens has a 33.3 per cent stake, said it had hoped to make a profit in 1995 after a net profit of DM5.2m (\$3.66m) in 1994. But this now no longer looked pos-

It has already warned that a

By Andrew Fisher in Frankfurt ny's shares down by 3.6 per dividend payment for this year cent to DM163. dividend payment for this year was unlikely - the last payent to DM163. was unlikely - the last pay. This followed Monday's fall ment was made in 1992 - after against DM11.9m in the same period of 1994. Turnover was down by 10 per cent to

DM446m. The company said its poor performance reflected the fail-

ure of orders to pick up after the industry trade fair in May. Customers' reluctance to purchase equipment was especially marked in the dollar area as a result of the strong

Some 70 per cent of its business is with foreign customers.

EUROPEAN NEWS DIGEST

Audi sees doubled profits for year

Audi, the up-market German car company, expects to more than double its pre-tax profits this year from the DM187m (\$131.7m) of 1994. This was stated by Mr Herbert Demel, chief executive of the Volkswagen subsidiary, as it reported a 30 per cent rise in sales in the first nine months to DM12.3bn Production was 29 per cent higher at 328,300 vehicles, with deliveries to customers up by 21 per cent to 339,240.

The positive trading news was in line with the upbeat tone sounded by Audi this summer when it said profits would rise sharply. It is benefiting from new models, improvements to existing models, and better productivity and cost controls.

Audi said yesterday its main growth had been in Germany, with a rise of 37 per cent in car deliveries to 158,200; its market share rose to 6.3 per cent in the first nine months from 5 per

cent in the same period of last year. In the rest of western Europe, deliveries were only 5.4 per cent higher at 129,000. Unit sales increases of more than 20 per cent were achieved in Japan and the US.

Andrew Fisher, Frankfurt

Bank losing 'fewer traders'

Germany's Deutsche Bank expects to lose fewer New York derivatives traders to rival Westdeutsche Landesbank than the

11 announced this week. Playing down the move. Dentsche Bank said it expected the impact to be minimal. The number of traders leaving for WestLB, which is building up its investment bank activities, would be "less than 10". Mr John Stonber, who heads the swaps business in New York, is not leaving Deutsche Bank, which has integrated its investment banking activities under

the name of Deutsche Morgan Grenfell.

The loss of traders to WestLB, and the move of several analysts in Frankfurt to other German banks and corporations, reflects the cultural pressures involved in putting the two sides together, banking sources said. in the reverse direction, Deutsche Morgan Grenfell has hired

about 50 people from Warburgs, now part of Swiss Bank Corporation, and has just taken on Mr Saman Hajd from Salomon Brothers as global head of fixed income derivatives. lt is also hiring Mr Gopal Varadhan from Canadian Imperial Bank of Commerce as senior derivatives trader in New York. Andrew Fisher, Frankfurt.

MAN commercial arm recovers

MAN Nutzfahrzeuge, the commercial vehicle unit of Germany's MAN, recorded a net profit of DM157.4m (\$110.9m) in the year to June 30, following a loss of DM97.5m the previous year.

Sales rose 5 per cent to DM7.74bn while new orders advanced by 14 per cent to DM7.7bn. "We assume we will make a satisfactory profit in 1995-96," the company said in its annual report.

It said truck demand from European markets was brisk and other foreign markets were also on an upward trend. Domestic demand was stabilising at a high level. The company's bus business, however, had seen sales

Agencies, Munich

Chinese move for Club Med

Club Méditerranée, the France-based leisure group, has been awarded the contract to manage a new holiday village in south-western China.

Straits Steamship Land, a Singapore-based company, said yesterday it had awarded the management contract to Club Med for its Spring City Lake 20 hectare tourist site which is 36km from Kunming, the capital of the state of Yunnan. The contract ties with Club Med's strategy to expand rapidly

in Asian destinations, and to operate increasingly through management agreemeots rather than directly owning all the villages it runs. Andrew Jack, Paris

Endesa forecasts 12% rise

Endesa's group net profit is expected to increase 12 per cent in 1995 from the Pta132.7bn (\$1.08bn) achieved in 1994, Mr Feliciano Fuster, the chairman, said. In the first half, the Spanish electricity utility posted net

profit of Pta72.9bn, up from Pta64.7bn in the year earlier period. Mr Fuster, speaking at a parliamentary commission. said Endesa expected to invest 85 per cent of the total Pta230bn it initially forecast for 1995.

He added that investments were expected to fall to Ptal80bn in 1996, to Pta151bn in 1997 and Pta109bn in 1998. For 1996, Mr Fuster said electricity demand was expected to rise 3 per cent from 1995.

AFX News, Madrid

French insurer posts flat sales at midway

By Andrew Jack in Paris

Nationale Prévoyance, the French insur-ance group scheduled for privatisation, reported stagnant turnover figures for the first half, indicating that the rapid growth in the country's life assurance market may be under threat.

The group reported sales of FFr39.56bn (\$7.9bn), largely derived from the sale of life assurance policies, down from FFr39.60bn a year earlier. CNP's net income rose to FFr711m from FFr692m in spite

of the decline in premiums, largely because of a rise in returns generated from funds invested, from FFr8.6bn to FFr11.4bn. Mr Pierre Darnis, chairman, varned that a decline across the life assurance sector was a

"relative novelty", and predicted that after years of double-digit increases, revenue growth in future was likely to be below 10 per cent a year. The trend is significant hecause several diversified French insurance groups, and

a growing number of banks and other financial institutions, increasingly have been relying on profits from life assurance sales as their other business divisions have suffered. However, he added that other factors had also contributed to the stagnation of CNP's revenues from life assurance, including increased competi-

The group saw a loss in sales from the post office, which had previously only sold CNP products but from May introduced a rival product.

Sales through the post office declined 12 per cent to FFr14.8bn, and through the Treasury by 7 per cent to FFr2.9bn. Sales rose 12 per cent through the Caisses d'Epargne banking network, to FFr14.2hn. Mr Darnis said that across the industry, life assurance

sales had risen 2.8 per cent in

the first half to FFr228bn. He also said he believed CNP would nead to increase its share capital of FFr3bn when it was privatised so that it could meet regulatory solvency

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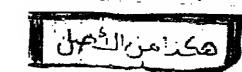
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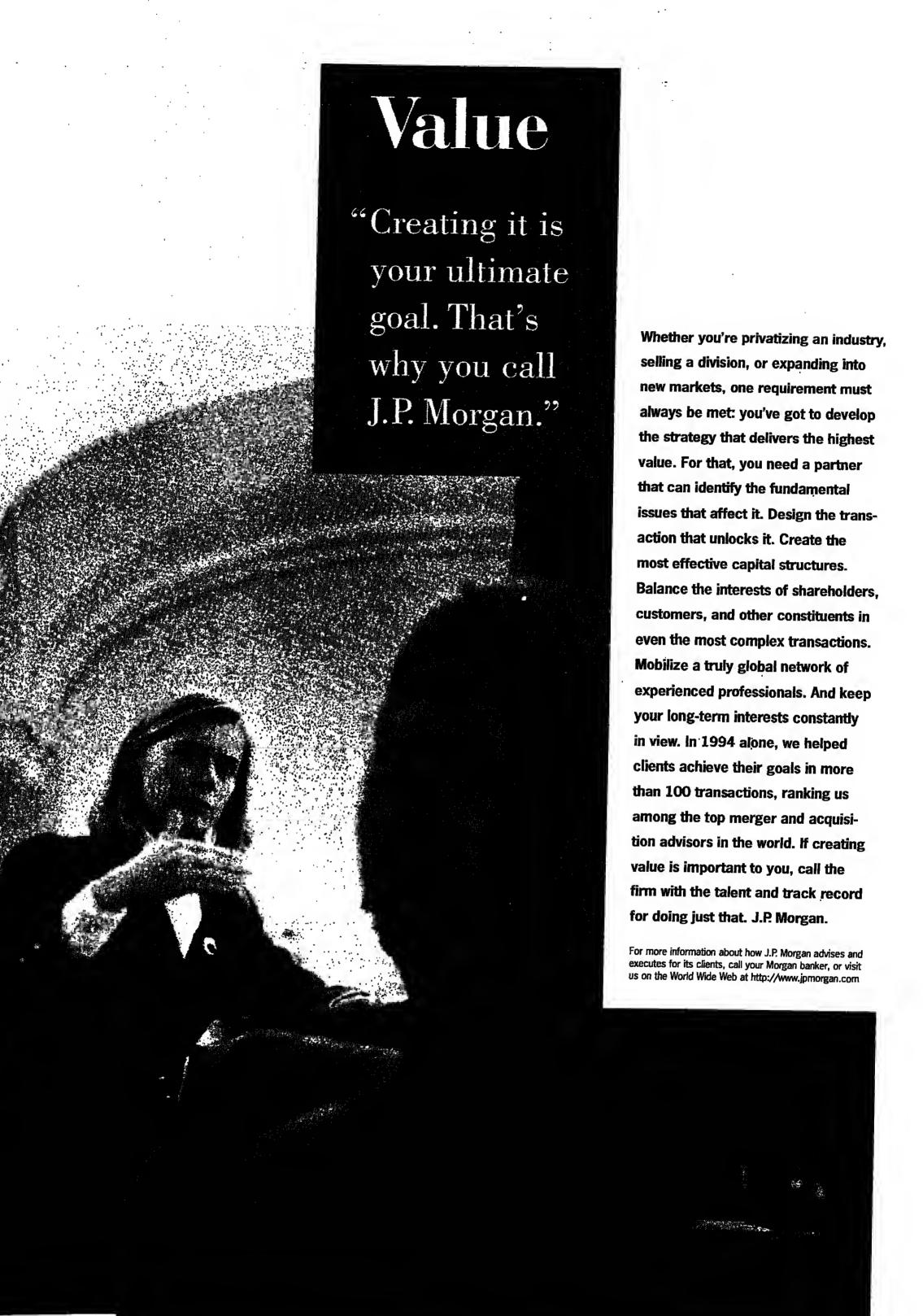
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INTERNATIONAL COMPANIES AND FINANCE

Weak demand drags on Japanese retailers

By Emiko Terazono in Tokyo

Natural disasters, terrorism and stubbornly sluggish consumer demand affected Japanese retailers in the six months to August, although companies which undertook aggressive restructuring programmes were rewarded with positive results.

Retailers in western Japan continued to suffer the effects of the Kobe earthquake in January, while gas attacks on the Tokyo subway kept some shoppers away from stores in the capital for a while.

The prolonged recession continnes to be a drag on consumer confidence: last month, overall department store sales declined year-on-year for

Japanese retailers (Ybn) Change on Change on year (%) year (%) profit Mitsukosh -41.0 -6.1 0.6 Daimeru -28 1,259.3 tto-Yokado

the 43rd consecutive month. Department stores have seen profits plunge over the past few years due to the spread of discounting and a slump in demand for luxury goods, but cost-cutting has receetly resulted in a rebound in earn-

Retailers, reliant on orders the earnings rise, the company from corporate clients, have will pass its interim dividend

weak second half. Takashimaya's earnings

also suffered from the earnings downturn of Japanese compa-Mitsukoshi posted a sharp rise in non-consolidated profits due to cost cutting and efforts in jointly developing merchan-

dise with Daimaru, another department store. In spite of

were supported by a Y1.9hn (\$18.9m) cut in personnel and advertising costs. Unconsolidated net profit rose 59.1 per cent to Y2.1bn, with per share net earnings rising from Y5.96 to Y9.49. For the full year to end-Fehruary, it expects sales to rise 25.6 per cent to Y880hn and recurring profits - before extraordinary items and tax are forecasted to quadruple to

payment because it expects a

Daimaru was forced to skip its interim dividend payment due to its half-year profit plunge. Sales were hurt by earthquake damage at its Kobe store. For the full year, current profits are expected to drop 34.6 per cent to Y2.5hn, ou a 4.6

per cent decline in sales to Y497bn. It plans to cut 300 jobs through hiring restraints and

attrition by August next year. Daiel, the country's largest supermarket chain, also suffered the effects of the earthquake. The company, based in Kobe, posted an extraordinary loss of Y20.3bn from sales of securities to offset a special loss of the same amount stemming from the liquidation of its subsidiaries.

In spite of its decline in nonconsolidated earnings, Ito-Yokado, another supermarket chain, said it expected a rise in both recurring profits and sales for the full year. Current profits are expected to rise 6.6 per cent to Y80hn, on a 18 per cent increase in sales to Y1.550bn.

Coles Myer saga enters its final throes

Coles Myer

Ouestions over governance and boardroom changes could soon be resolved, reports Nikki Tait

he air of an end-game is beginning to hang over Coles Myer, Australia's largest hut controversy-dogged

Last week, three big institutions refused to be pacified by the group's offer to turn itself into a handful of separatelylisted companies, insisting boardroom changes and corporate governance issues be addressed first.

Within daya, the two founding families - the Myers and the Coles - had supported this stance, as had the Australian Investment Managers Association, which represents most of the country's big fund manage-

ment groups.

The uncertainty could rumhle ou until the company's annual meeting on November 21, when directors come up for Mr Solomon Lew, Coles

chairman, has showed no will-

ingness to cede his role to an independent candidate - one of the institutious' maiu demands. Ou Monday, he counter-attacked, aiming much of his anger at the AMP Society, Australia's higgest life office: "If the AMP had any credibility they'd sack their investment managers for poor performance," he snapped. However, some helieve the

issue could be resolved before the annual meeting. This view ppears to have taken hold in the stock market, with Coles shares rising to about A\$4.50 on growing speculation that institutional demands will be

Like most corporate traumas, this one derives from a swell of disquiet which has huilt over 8 number of years, No one, however, underrates the importance of the outcome.

Australia's inatitutional investors are anxious to see their financial markets shed the cowboy image acquired in the late 1980s. They opposed Mr Rupert Murdoch's News Corporation over differential voting rights two years ago. and instigated extensive board changes at Goodman Fielder, the large but poorly-performing food manufacturer, in 1994.

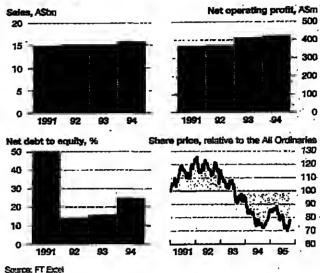
In addition, as Mr Alan Cameron, chairman of the Australian Securities Commission, uoted: "There has been an extraordinary focus on corporate governance in the past two-and-half years.

However, unlike News and Goodman, Coles is headquartered in clubby Melbourne and Mr Lew holds a formidable 13 per cent stake. Prima facie. it is the toughest target the institutious have yet cou-

The Coles saga goes back to 1985, when G. J. Coles and The Myer Emporium merged to create an Australian retailing group accounting for almost 20 per cent of national sales. Both were established family busiuesses. But at Coles, management and control had steadily passed out of the family's hands in the 1970s and 1980s, while Myer Emporium remained in the grip of the direct descendants of its founder.

After the merger, Brian Quinn, who bad been running Coles, took charge of the comhined entity. However, the Myer family remained a significant shareholder, with about 10 per ceut, as did Solomon Lew, a Melbourne-based businessman.

Mr Lew had astutely snapped up a 10 per cent stake in Myer in the early 1980s and



joined the Myer board. He then became a director of the merged Coles Myer entity. In 1989, he paid another A\$450m (US\$340.4m) to double his stake in the retail group by buying out two other investor

For e while, Coles Myer per-formed well hut as recession struck in the 1990s, profits and sales stagnated and shareholder disquiet hegan to increase

First, there were allegations about favoured supply arrangements between Coles and private companies associated with Mr Lew (who hy 1991 had become co-chairman), Mr Lindsay Fox, the Melbourne trucking magnate who was on the Coles board, and other directors. Mr Laurence Gruzman, a Sydney-based barrister, raised the issue repeatedly at shareholder meetings. While board members maintained they acted with probity, the value of goods and services involved was revealed to be uncomfort-

that there is no cause for concern. Sales by Mr Lew's private companies to Coles were worth

about A\$95m in 1993-94. Problem number two developed in 1994, when Mr Quinn, who had stepped down as chief executive two years earlier, was committed to trial in a heavily-reported fraud case. The prosecution alleged that he had spent almost A\$5m refurbishing his private home, billing the work to Coles.

r Quinn denied the charge, and the case has yet to be heard. However, an investigation by the Victorian police produced separate evidence - in no way connected with Mr Quinn - of talse quotes, incorrect charging and secret commissions in the company's contracting/maintenance divisions, and some lower-level prosecutions.

Then, last month, the "Yannon" transaction came to light. This had its origins in the 1989

company which indirectly played a part in resolving the situation, Last month, Mr Alan Goldherg, a Melhourne QC deemed the transaction lawful but it cost Coles A\$18m, and benefited companies associated

with Mr Lew by a like amount. In the face of renewed institutional ire Coles directors put forward the break-up plan which would, indeed, address the fundamental criticism that the retailing group is simply too hig for a market made up of 18m consumers. But there would be only minor hoard changes in the short-term, with Mr Lew switching from executive chairman to uon-executive

Institutions made their stand, saying they would put forward a slate of independent non-executive directors to replace some of the current directors, probably at the annual meeting. They would then hope the reconstructed board would elect an independeut chairman.

The battle, in short, comes down to a numbers game. Coles' share register has changed fairly dramatically, over the past two years partly because many institutions have reduced their weightings towards the company, and partly because the retaller has run an attractive scheme offering discounts at Coles stores to anyone holding 500 shares. As a result, there are helieved to he almost 140,000 small shareholders.

However, helped by the 8 per cent Myer stake, the institutional critics can probably neutralise the holdings of Mr Lew and other directors. Even so, the extent to which the embattled chairman can rally support from small shareholders may yet be critical. Heuce the importance attached to the ahly large, at A\$170m.

The group responded with "full disclosure", and today says it is "absolutely satisfied"

deal which saw Mr Lew double his stake in Coles. Mr Lew's board changes, which could carry weight with the notoriously "loyal" private investor.

at Shell's Philippine unit

By Edward Luce in Manila

Pilipinas Shell, the Philippine subsidiary of the Anglo-Dutch oil group, reported net profits of 690m pesos (\$26.6m) for the six months ending in June, up 133 per cent on a year

The opening of its oil refinery plant in Batangas, south of Manila, and improved sales accounted for most of the increase. Sales and other operating income rose 15.9 per cent to 18.74bn pesos. However, Shell, which is the second largest oil refiner in the country after Petron, the privatised state group, said the company was continuing to lose money over the government'a

deferral of an oil price increase. Shell is owed about 1bn pesos from tha government'a oil price buffer fund.

The company also announced yester-day that it would float 2bn pesos of long-term commercial paper in Manila before January 1996 to repay loans on the construction of its Batangas refinery. About \$67m of debt would be prepaid on the proceeds of the issue. The issue, to be offered in two tranches of four and five-year maturities respec-tively, will be the company's largest Philippine debt call. The four-year notes will be repaid at 0.625 per cent above the central hank's beliwether 91-day T-bills, while the five-year papers will give a 0.725 per cent return.

Improved sales behind surge | Morgan Stanley arm opens Indian investment branch

By Mark Nicholson in New Delhi

Morgan Stanley Trust Company, the US bank and wholly-owned subsidiary of the Morgan Stanley Group, has opened its first overseas hranch office in Bombay to offer custodial, clearing and related services to foreign institutional investors active in the Indian

MSTC said yesterday it would also enter a "strategic alliance" with the Stock Holding Corporation of India, one of India's biggest custodial agents which is owned by India's main stateowned financial institutions. The bank said its Bombay branch would qualify as an "eligible foreign custodian" to

provide custody and share settlement services for US investment companies according to US norms.

MSTC will become the 11th institution, both foreign and Indian, offering custodial services on India's stock markets, where slow paper-based settle-ment and registration procedures are among the chief structural impediments to the market's growth.

"One of the factors limiting foreign investment toto the Indian stock market has been the capacity constraints of eligible foreign custodians," said Mr Pradip Darooka, vice-president responsible for Morgan Stanley's custody business in India. Mr Darooka will head the oew branch.

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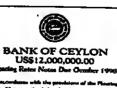
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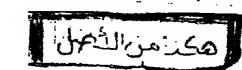
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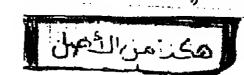
Shareholders are reminded that they may exchange each share held in Pharmacia AB for one share in Pharmacia & Upjohn, Inc., on the terms more specifically set out in the offer document dated September 20, 1995.

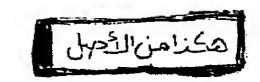
Pharmacia's Board of Directors has recommended that shareholders accept the offer. Persons wishing to do so must complete the special application form sent out to all shareholders.

If, for some reason, you have not received the necessary documents, you should immediately contact your stock-broker or call (44) 171 600 5005 for more information.

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COMPANY NEWS: UK

GEC defuses clash over Weinstock succession

By Bernard Gray, Defence Correspondent

STARRENCE STARRENCE

The General Electric Company yesterday defused a row over how a successor to Lord Weinstock, managing director, should be chosen. Before yesterday's regular board meeting Mr Richard Reynolds, chairman of the company's GPT telecoms subsidiary, had opposed the way in which tha succession was being handled, and had written to Lord Prior, GEC's chairman, about the

Mr Reynolds is thought to have repeated his objections over the amount of information being supplied to directors at yesterday's meeting. How-ever, he failed to gather the support of other directors, who backed the approach to finding a successor being led by Lord

The board then agreed to continue with the current approach to deciding the succession, with a view to

announcing a replacement by the spring. Lord Prior has been embling a shortlist of potential candidates to take over from Lord Weinstock, who is due to stand down from executive responsibilities when be reaches the age of 72 next sum-

The list is thought to include both internal and external candidates, with Mr Peter Gershon, managing director of the GEC-Marconi defence and electronics subsidiary, leading the internal candidates.

Possibla external candidates are thought include Mr George Simpson, chief executive of Lucas Industries

Previously there had been suggestions that Mr David Newlands, GEC's finance director, and Mr Simon Weinstock, the company's commercial director, might also he candi-dates. However, neither is now thought likely to take over. Contrary to prior speculation, Mr Reynolds' comments



Lord Weinstock: shortlist of candidates to replace bim .

as a director. "This is all a big non-event," said another board member after the meeting. His long-term future may still be in doubt, bowever, given the divisions which arose over the have not led to his resignation Lex. Page 14

ing from the public sector, it is

acquisition from its cash bal-

WD Wills warns of small loss

W.D.& H.O. Wills, the listed Australian cigarette manufacturer owned by BAT Industries, yesterday warned that its results for the nine months to September 30 showed a "small loss", and that it did not expect to reverse this in the final

propose a final dividend, after the reduced 3 cents interim. In 1994, Wills reported a fall in operating profits from A\$84.9m to A\$78m (£38.2m) - blaming price discounting and higher tax for the decline.

Yesterday, Wills said some stability bad Directors added that they did not expect to returned to the competitive tobacco market.

plans £60m buy in France

By Christopher Price

Sema Group, the Anglo-Prench computing services concern. yesterday said it was in talks to acquire a French systems integration and out-sourcing company in a deal thought to be worth about £60m (\$93m).

The purchase of Cisi, the computer services arm of the Commissariat à L'Energie Atomique, the French government agency, will strengthen Sema's interests in the defence and space technology sectors.

Mr Pierre Bonelli, Sema chief executive, said: "Defence is a growing business for companies with our kind of technology, and particularly in the area of space research."

Cisi, which is involved in developing simulation systems

and data analysis software. has sales of about FFr1bn and net assets of FFr170m. Mr Bonelli refused to disclose whether the group was profitable, but said that "com-

not the most flourishing company in the world". The purchase excludes Cisi's Spanish interests. Sema intends to finance the

snces. At June 30 it had net

A promise of more of the same

Roderick Oram on the future for GrandMet after Lord Sheppard

seems to revel in reinventing itself, Grand Metropolitan's announcement of a new chief executive and management structure was very orderly and tame.

Lord Sheppard, retiring as chairman at the annual meeting next March, will have spent 10 years transforming the company. Taking an illogical conglomerate of some 30 companies he has focused it on

distilled drinks and food. The huge effort has brought some rewards to shareholders. Earnings and dividends have grown at an average annual rate of 9 per cent and 13 per cent during his tenure.

tion. The share price has risen 15 per ceot a year on average but still stands some 80p below its peak of 506p in May 1992. The stock has underperformed its sector by 17 per cent and the London market by 5 per cent since 1986.

A number of factors in drink, food and finance bave beld back the shares. On drinks, all distillers have found it hard to wring higher prices and volumes out of consumers during and after the recession of the early 1990s. GrandMet has

or a company that done better at growing volumes, devising new drinks and simplifying its infrastructure than Guinness and Allied Domecq and to a lesser extent

Seagram, but the profits have yet to flow strongly from that. On food, GrandMet has done

drinks business, to group chief executive, at the same time. Tve been involved for a number of years with George and Allen (Sheppard) on strategy and through a period of heavy investment. We're not going to well huying and integrating US dig that up now that it's work-companies such as Pillshury ing." said Mr McGrath.

utive of IDV, GrandMet's

The consumer who is buying the Whopper hamburger is not necessarily the one buying the bottle of very expensive Scotch

But investors have not and more recently Pet but it . But there is an immediate European food strategy. On finance, GrandMet's will-

ingness to shoulder a heavy debt burden, capitalise its brand values and use innovative financing methods are not to the tastes of some conservative analysts and investors. But will GrandMet change

when Lord Sheppard retires? Yes but not much, was the message from Mr George Bull who steps up from chief executive to chairman on March 1 and from Mr John McGrath who moves up from chief execture. Previously, Mr McGrath headed drinks and Mr David Nash, the loser to Mr McGrath in the chief executive race, headed foods and both reported

to Mr Bull as chief executive. Instead, Mr Nash's job has heen disbanded along with eight other foods jobs at the centre. Most of the responsibilities are taken over by Mr Paul Walsh, the 40-year-old British chief executive of Pillsbury, based in the US. European foods, headed by Mr Jean D'Amecourt, will report to him.

Burger King, the fast food chain, will now report directly to the group chief executive, as will Mr Walsh and the head of IDV, although a replacement for Mr McGrath has yet to be

Pillsbury, Burger King and IDV have a lot in common in terms of how they get their message over to consumers, said Mr Bull, "The management process of how you get the consumer to reach out and buy our brand is very much the same.'

Mr Bull acknowledges that it is not necessarily the sams consumer buying a Whopper hamburger as a bottle of very expensive Scotch whisky, but said there are synergies noneing markets.

The theory met with some scepticism in the City. "Very different drivers are at work. said one analyst. "Drink is very much an aspirational product and food more of a necessity."

A close follower of the company suggested that to fully reward shareholders, the new team should consider demerging GrandMet into a US-based international food company and a UK-based international

GROUPE SUEZ 1995 INTERIM FINANCIAL RESULTS TRANSFER TO COMPAGNIE DE SUEZ OF REAL ESTATE ASSETS OF BANQUE INDOSUEZ

I - Groupe Spez. 1995 Interim Financial Results

At its meeting of October 10 chained by Garard Mestrallet, the Board of Directors of Compagnie de Suez closed the consolidated financial

After minority interests, in FRF millions	June 30, 1994	December 31, 1994	June 30, 1995
Operating income before the impact of the real estate crisis	2,240	3,391	910
Impact of the real estate crisis	(1,762)	(7.561)	(4,076)
Net non-operating income (loss)	317	(614)	(810)
Net income (loss) for the period	795	(4,784)	(3,976)

In reviewing the interim financial results, the Board noted the following points

1 - Contributions to operating income by SGB, Sofinco and Lyonnaise des Eaux improved significantly. Operating income at Banque Indosuez fell, affected as in all other French banks by weak business to the financial markets at the beginning of the year.

2 - Major real estate provisions, amounting to some FRF 4 billion, once again adversely affected Suez's financial results. Provisions for real estate risks were calculated using the same

The high level of provisions made in the first half is due to the following factors:

methods as at December 31, 1994 (see appendix).

- The French real estate market has experienced persistent difficulties in 1995. Some forty programs in which Suez is invested (notably Zeus, Réaumur, Creur Défense, Saint-Jacques and Saris/FCE development programs) were reviewed in detail. They are particularly complex and have evolved in a manner that required major provisions. These provisions, amounting to some FRF 2.3 billion, relate to assets representing around half of the Suez's total net exposure. They reflect the particular situation of the underlying programs, as assessed at the end of the first nine months of 1995.

General provisions were set aside in an amount of FRF 1.7 billion. They are intended to cover two factors:

· The general deterioration of the real estate market, as assessed three months before the end of the year. This assessment has been applied in assets (outstanding developer loans, development programs and assets acquired as a result of the real estate crisis) which are not been covered by the specific rovisions mentioned above. The impact of the deterioration is estimated at FRF 700 million.

While the plan to divest all real estate assets by 2001 remains valid, it will be necessary to modify the profile of divestments over this period, in the light of the unfavorable change in the rate of sales since the end of the first quarter. The provision for future costs up to the time of divestment will require adjustment as a consequence. A general provision to cover this re-estimation of FRF 1 billion has been made at June 30, in anticipation of the adjustment to the existing provision in he made at year-end.

Taking into account these new provisions, the net value of real estate commitments has been reduced to FRF 15.5 billion,

3 - Provisions have also been made concerning non-real estate assets. These concerned in particular the corrying value of Arbed shares in the Suez consolidated financial statements, the writedown of certain intangible assets, and provisions for restructuring made by various

4 - The pareot company financial statements show a loss of FRF 3,174 million for the interim period.

II - Transfer to Compagnie de Suez of real Estate Assets

The Board approved the acquisition by Compagnic de Suez of Banque Indosuez's real estate activities.

The Board was also informed of the offer for sale of Banque Indosuez's 75% interest in Gartmore PLC.

These two operations are clearly to be placed in the perspective defined by the Board during its meeting last July 7 concerning the future of Banque Indosuez within the Suez Group.

Banque Indosuez is thus withdrawing completely from real estate development activities and its exposure to real estate professionals, and is pursuing its refocusing, notably with the concentration of its asset management business around Indosuez Asset Management. By the end of the year, the Bank will, in association with Compagnie de Suez, identify its growth businesses and define its strategic orientations so as to refocus on those activities and regions where it enjoys clear-cut competitive strengths and the greatest potential for profit.

For Suez, the transfer of the Bank's real estate assets will allow unified management of all the real estate activities io question.

The action program led by the Chairman, with the full support of the Board, is designed to do everything possible to strengthen Suez's financial base, improve consolidated operating profits and streamline the organization of the Group, by vigorously refocu-sing on its strengths, in order to enhance the value of its assets in the interest of all shareholders.

While it is impossible to foresee with certainty how the real estate or financial markets will evolve through the end of the year, the second half should —given the results of the first half — be at about breakeven, before an expected return to profit in 1996.

APPENDIX

METHODS USED FOR DETERMINING REAL ESTATE PROVISIONS SINCE DECEMBER 31, 1994

Provision is made for the difference between cost and current market value

Provision is made for the discounted current value of all expected future costs (financing costs of non-performing loans and of partially let properties, management costs).

CONTRIBUTIONS OF PRINCIPAL SUBSIDIARIES

L-Contributions to Operating income before the impact of the real estate crisis (net of income taxes and minority interest)

FRF millions	June 1994	December 1994	June 1995
Banque Indusue:	907	1,347	+ (48)
Societé Générale de Belgique	460	874	623
Crédisue	22	81	89
Specialized finance companies	187	345	256
Victoire	297	297	
Compagnie de Suez and Suez Investor	367	447	(10)
Total	2,240	3,391	910

* After deducting remuneration of preference shares and certain dividends received 11 - Contributions to Net Income

FRF millions	June 1994	December 1994	June 1995
Banque Indosuez	420	(1,075)	(16)
Société Générale de Belgique	578	980	* 629
Crédisuez	(41)	(3,325)	(1,639)
Specialized finance companies	185	318	248
Victoire	(407)	(1.387)	1
Compagnie de Suez and Suez Investor	60	(295)	(3,008)
Total	795	(4,784)	(3,976)

* Before provision on Arbed shares necessary only at the level of Compagnie de Suez

October 10, 1995

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Interest Rate 7.61719% p. a. Interest Period October 13th, 1995 January 15th, 1995

interest Amount due on January 15th, 1996 per GBP 100,000 GBP 1,961.89

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NOTICE TO SHAREHOLDERS Shareholders are kindly invited to attend the Ordinary Annual General Meeting with the following agenda, to be held at the offices of Banque internationale a Luxembourg S.A., 69, route of Esch, Luxembourg on Friday 27th October, 1995 at 4.00 p.m.:

Reports of the directors and of the independent auditor on the annual accounts for the period ended 30th June, 1995; Approval of the audited annual accounts at 30th June, 1995;

Decision on the disposal of the net results by way of cash dividends as recommended by the directors; Discharge to be granted to the directors and to the independent

Election or reelection of directors and reappointment of the independent auditor, 6. Miscellaneous; To transact such other business as may

properly come before the meeting or any adjournment thereof, as may be recommended by the directors. The shareholders are advised that no quorum is required for the items on the agenda of the annual general meeting and the decisions will be taken on simple majority of the shares present or

In order to attend the meeting the owners of bearer shares will have to deposit their shares five clear days before the meeting with Bacque Internationalo à Luxembourg, 69, voute d'Esch.

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The Russian Privatization Center, on behalf of the Russian Federal Property Fund, has announced a commercial tender with investment conditions for the sale of a stake of AO Svyazinvest.

AO Svyazinvest, wirh charter capiral of Rubles 7,702,508 million comprising 7,702,508 common shares of Rubles 1,000,000 each, is a major new telecommunications company consolidating the Government of the Russian Federation's interests in 85 local telephone companies operating throughour the Russian Federation. In addition, AO Svyazinvest will be awarded a license to offer international and inter-regional telecommunications services in the Russian Federation.

The sale will be accomplished by selling 1,925,628 (one million, nine hundred and twenty five thousand, six hundred and twenty eight) common shares ar a minimum price of Rubles 1,000,000 per share. In addition, the purchaser will be required to provide capital investment in the Ruble equivalent of a further \$400 per share over the two years following the purchase of the shares. This tender opened on 17th October 1995 and final bids are due on 30th November 1995.

An information memorandum on AO Syvazinvest and the complere regulations for the tender will be made available to interested parties at the address below upon the execution by an authorised representative of a confidentiality agreement provided by the Russian Privatization Center and the payment of a fee in the amount of Rubles 5 million to covet the costs of production of the information memorandum. A copy of the rules of tender will be provided free of charge to any party requesting it. Intermediaries of any kind are required to reveal the identity of rheir principals.

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COMPANY NEWS: UK

Problems in Nigeria hit Paterson Zochonis

Problems in Nigeria, which accounts for about a fifth of group sales, knocked 11 per cent from full-year profits at Paterson Zochonis.

The toiletries and detergents group, which makes Cussons Imperial Laather soap, reported pre-tax profits for the year to May 31 of £25.1m, against £28.1m. The contribution from the associated Nigerian companies halved to

The group warned a year ago that its Nigerian operations were suffering from a lack of foreign exchange in the bank-ing system, hitting the ability

CRH buys

cement stake

CRH, the Dublin-hased

building materials group has

made its first investment in

eastern Europe with the pur-

Poland's largest and most

pany, for I£6.1m plus the pro-

vision of I£23.6m loan finance.

Cement Polski has purchased

75 per cent of Cementownia

Ozarow generated net prof-

its of 28.5m zlotys (£7.4m) last

year. This year profits are

expected to reach 32.3m zlotys.

6 miles to Jame 30

RESULTS

Ozarow for I£35.8m (\$57m).

modern cement plant.

and Christopher Bobinski

Polish

in Warsaw

to import sufficient raw mate-

Nigerian sales were ahead in local currency, but fell by some £10m to £50m in sterling terms. The overall increase was driven by the performance of subsidiaries in Greece and Poland and, to a lesser extent,

Indonesia. in Poland, where the group made a cosmetics acquisition in June, it has been able to build on the strength of existing local soap brands, taking sales to £30m. Last week it

Leather brand.

£25m. Mr Whittaker said the Indonasian operations had reached a turning point, and were now both profitable and able to take advantage of a large potential market.

The balance sheet showed investments at £157.3m, down reflecting from £167m. increased capital investment of £20m as tha group built strength in new markets. New factories were under construction in Greece, Poland and

Analysts, who were looking introduced the Imperial for £23m pre-tax, nudged fore-Greek sales were about 25 casts for the current year ahead to £28m, with a dividend per cent higher, while Indonesian sales rose 50 per cent, lift-

French 'approach'

Scholl dismisses

By David Blackwell

Scholl, the healthcare products group fighting a shareholder rebellion, yesterday confirmed that it had received a letter from a private French company interested in a merger.

The company is understood chase of a strategic stake in to be Arkopharma, a pharmaceutical group based in Provence which has annual sales of It has bought 40 per cent of Cement Polski, a holding comabout £75m (\$116m). Shares in Scholl closed 8p down at 219p, valuing it at about £150m. In a statement to the Stock Exchange Scholl, which has

asked for further clarification of the French company's circumstances, dismissed the proposal in the letter as

extremely vague". It added: "The French com-

0.039 25.1 0.49

(2.57) (0.038L) (0.768) (1.04) (0.025) (28.1) (0.407)

7 1.1L 19.31 7.53 0.35 32.35 0.63

9.13

Dividends shown net. Earnings shown basic, Figures in brackets are for corresponding period, dpAim stock *Comparatives for three months to June 30 1994. Dividends received

(6.8) (0.5L)

(12.06 (6.09) (0.3) (36.6) (0.53)

pany is unlisted, is much smaller than Scholl and no evidence has been produced that it is, or would be, in a position

to implement any offer" Samnel Montagu has advised that the letter does not constitute a serious approach. Arkopharma wrote to Scholl

at the instigation of Mr Julian Treger of Active Value Fund, who is leading the rebellion. He and Mr Brian Myerson, also of Active Value, are seeking election to the Scholl board as they believe shareholder value will be maximised by its sala to another group.

Mr Treger has claimed that the rebels, had received approaches from four interested parties, including a French company.

Signet dissidents seek seats on board

Rebel shareholders in Signet the UK's biggest jeweller, are attempting to take control of the board and force through a financial restructuring of the heavily-indebted group

The challenge from Parcon Managers, an investment vehicle led by Mr Julian Tre-ger and Mr Brian Myerson emerged from amendments to filings with the US Securities and Exchange Commission. made public yesterday by Sig-

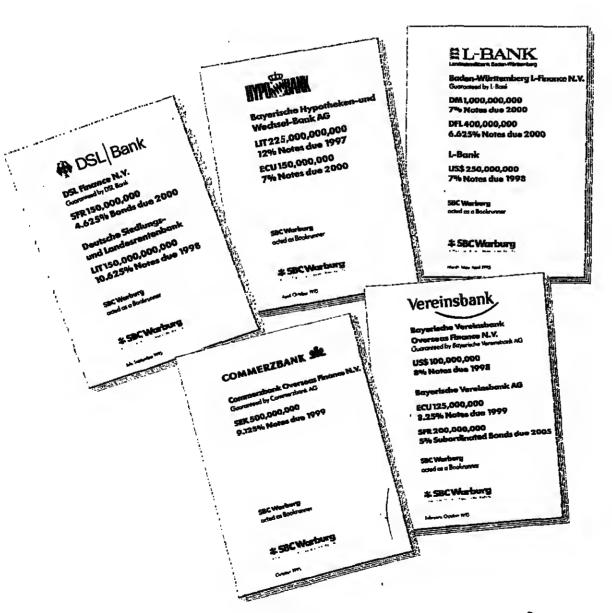
The rebels, who hold 22 per cent of the voting rights, want to replace "all or most of" Sig net's board, and replace chairman Mr James McAdam or reassign his duties. They say they have hired financial advisers to put together restructuring, and are continu ing to seek offers for Sterling

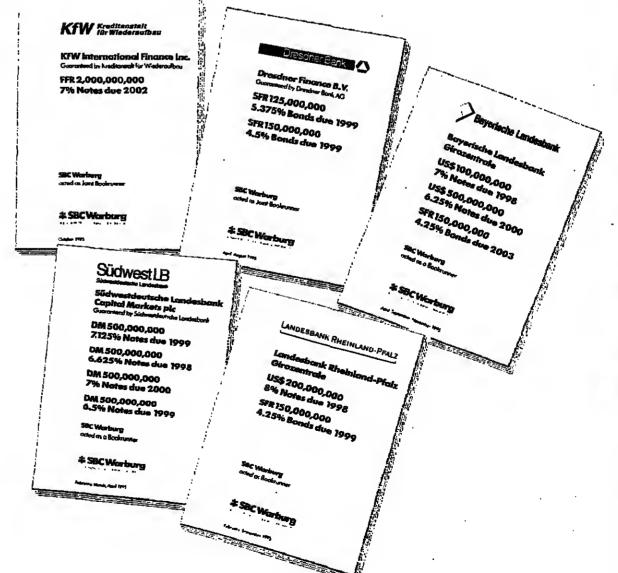
Signet's US business. But the dissident shareholders do not plan to hold more than 29.9 per cent of voting rights - which would trigger a full takeover bid.

Mr Treger and Mr Myerson represent preference share holders owed more than £100m in dividend arrears, and failed in May to force Signet to consider a break-up that proposed ordinary shareholders would receive 20p a share, Mr McAdam, who last month launched an attempt tri reorganise Signet's complex equity structure as a first step towards a reconstruction

insisted the current board was best placed to achieve a solution fair to all investors. 10 0.5

Successful issues with one thing in common.

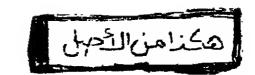




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Propagations

COMMODITIES AND AGRICULTURE

MARKET REPORT

Aluminium hits 12-month lows as strike unwinds

ALUMINIUM prices fell to 12-month lows on the London Metal Exchange yesterday as general selling emerged on bearish developments at Alcan Aluminium, the Canadian pro-

The three months delivery position dipped to \$1.653 a tonne at one stage , before steadying to \$1,668.50 at the close, down \$24 on the day. In after hours "kerb" trading the price recovered further to

Confirmation that a 10-day strike at the company was nnwinding depressed values, as did comments from the Alcan workers' union to the effect that the company was restarting 156,000 tonnes-ayear of idled production capacity. The company has yet to comment on the issue of restarts.

The Alcan news pushed the markat lower. There was also some forward selling from producers in the morning, and they may have a bit more to do," said one LME trader.

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120

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\$ -5% D

Some LME traders thought Alcan idled capacity under a global "memorandum of understanding" to draw down excessive stocks in 1994, although Alcan sources said the deactivation was not a part of the MOU agreement. But traders said there was a risk that an Alcan decision to restart pot-lines might prompt MOU participants to bring back some of their idled capacity more quickly than originally planned

Some analysts argued that Alcan's reported decision was brought about hy specific circumstances caused by the strike and need not effect the timing of other restarts around the world.

"It is clear Alcan's restarts are partly to make up for s caused by the strike," said one London analyst. "Losses dne to the strike are likely to total around 80,000

The technical ontlook for

aluminium turned more bear-ish following yesterday's activity. Chart-watchers warned that the next area of support below current levels was not

until \$1,550. LME COPPER prices fell in sympathy with aluminium and on continued liquidation following the cash sell-off on Monday in the lead up to "third Wednesday" options-realated pricing.

Alexander I		
Aluminium	-2,450	to 523,1
Aluminium altoy	+360	to 47,04
Copper	+575	to 178,
Lead	+3,425	to 208,
Mickel		
Zinc	-990	to 55,06
	-2,575	to 732,6
Tim	+15	to 14.68

The three months price ended the kerb session \$29 lower at \$2,723 a tonne, after recovering from a 41/2-month low of \$2,703. LEAD prices eased under

pressure from cash selling and an LME warehouse stock rise of 3,425 tonnes. Cash iost its premium over three months metal with both ending at \$640

Three months delivery NICKEL rose \$40 to \$7,930 a tonne with traders noting that Falconbridge, the big Canadian producer, expected 1995 output to fall to 54,000 tonnes from 68,000 tonnes in 1994. LME stocks fell 990 tonnes, which was also supportive.

At the London bullion market the GOLD price drifted down a few cents in the afternoon after New York futures prices opened lower than forecasts, dealers said. Even so, the moves were minimal and the market's neutral posture and technical background were unchanged.

"I'm not bearish for gold but just now I'm not really interested until it breaks out of these ranges," a dealer said. The market hardly reacted to US industrial production and capacity utilisation data,

which was slightly weaker

Precious Metals continued GOLD COMEX (100 Troy oz.; \$/troy oz.)

than expected, but not enough to be significant. New York analysts said.

London Commodity Exchange COCOA futures prices held on to early gains to end £7 to £11 a tonne higher, helped by more bullish technicals. But traders said the upside could be limited to £950, for March delivery, owing to origin aales.

LCE robusta COFFEE futures slumped in the afternoon, surrendering \$90-plus gains, as a bout of profit-taking and producer sales knocked the recent rally on the head. The November contract ended \$8 lower at \$2,410 after being \$92 higher at \$2,510 at

one stage.
"It was a bit of a bull trap," one trader said. "The market got above \$2,500 and was very tentative. I think the trada realised and then sold." A draw down of 872,000 bags

to 2,608,000 bags in September of Green Coffee Association of New York stocks sparked the early flurry of buying in Lon-don. But New York prices failed to rally and instead started to fall, giving traders and producers, including Indonesia and Vietnam, their cue to sell.

London's November contract held above the \$2,400-\$2,200 trading range it broke out of on Monday, however, and traders saw that as construc-

Worries about the tropical storm off Mexico and a presi-dential reaffirmation by Latin American countries for the producer export cuts would offer some underlying support, they added. One trader noted that the GCA figures indicated that the US had just 56 days of supply in the pipeline and said that suggested roasters might return to the market in stronger force and perhaps begin to cover further forward, having adopted a hand-to-mouth policy in recent months

Compiled from Reuters

GRAINS AND OIL SEEDS

WHEAT LCE (E per torme)

Grim outlook seen for European coal industry

By Frances Williams In Geneva

The future of Europe's coal industry looks grim, despite growing world demand for coal, the United Nations Economic Commission for Europe says in a report published yes-

With most of Europe's hard coal mined underground "at great depth and under difficult geological conditions", the scope for containing costs is limited compared with other regions using mainly opencast

methods, the ECE says. The European industry's prospects will thus depend on the world market price and on govern-

ment support. In its survey of the coal situation in 1994, the ECE says mine closures, weak economic growth and strong environmental controls led to a further shrinking of European coal consumption and produc-

In western Europe hard coal production fell last year by 28m tonnes to 135m tonnes

while in eastern Europa it dropped by 36m tonnes to 535m output fell by 58m tonnes to

657m tonnec By contrast, production of hard coal in Asia rose by 58m tonnes in 1994 to 1.565bn tonnes, or 44 per cent of world output of 3.534hn tonnes. China, which produced 1,206bn tonnes of hard coal last year, now accounts for over a third of world output and over a quarter of world consump-

North America accounts for about a quarter of global output and consumption, while Europe's share of output has shrunk from more than a quarter in 1990 to less than a fifth in 1994. The region imported about 200m tonnes of coal last

The ECE predicts that coal. which provides 44 per cent of tha world's electricity, will continue to be the dominant source of electricity generation in Europe and elsewhere. Some

50 countries have known coal

reserves, estimated to last at least 200 years at current production levels. Increased use of clean coal technologies and improved energy efficiency is expected to make coal more acceptable from an anvironmental point of view, the UN body says.

The coal situation in the ECE Region in 1994 and the global prospects for coal: available from UN Economic Commission for Europe, Geneva. Fax +41 22

US companies breathe life into Peruvian mining

Sally Bowen on improvements achieved by the new owners of privatised mines

Cyprus Amax are becoming the pacemakers in Peru's mining revolution. After almost 30 years of statism, progressive decapitalisation and antiquated working methods, the two US-owned companies are breathing fresb life into traditional mining practice in one of the world's richest but most neglected

mining countries. Both Magma and Cyprus acquired major Peruvian copper deposits - Tintava and Cerro Verde respectively through the continuing process of privatising state-owned ts. So far, they appear well satisfied with their invest-

ments. Tintaya, a high-grade copper deposit between Cuzco and Arequipa, was bought by Magma at a keenly-contested anction last November for about \$243m (with a mixture of cash and paper) and an associated investment commitment of at least \$85m. Between January and July, Magma raised production almost 40 per cent compared to the same period last year (to 35,540 tonnes).

Although Tintaya had been widely considered an efficient operation - by Peruvian stan-dards - Magma's managers were able immediately to raise throughput from the 8,000 tonnes per day the concentrator plant was designed for to 11,000 tonnes-plus.

SOFTS

going real well," says Mr "In order to remain a bigtime player in copper, Magma Browne, and we have excellent relations with the local had to buy a major mine," says Mr Browne. The target Magma set Itself in 1994 was to be

community." Cerro Verde, another prestiproducing 750m pounds of cop-per annually within two years. gious mine in Peru's copperrich aouth, was acquired by Tintaya fitted Magma's expan-Cyprus Amax at anction in

Better management-labour relations have yielded immediate results.

sion strategy both for its proven reserves and potential to produce at 50 cents a pound or lower.

Tintaya'a main open pit and associated deposits still contain 58m tonnes of reserves; grades average around 1.78 per cent copper. Nearby Coroc-chuayco promises grades between 2.5 and 3.5 per cent. Possibilities of new finds are

also high. Magma will spend \$10m on exploration of on-site deposits over the next two Studies for a solvent-extrac-

tion/electro-winning plant at Tintaya are nnder way. Probahle investment would be around \$100m, raising output by an additional 70m lh a year by 1998

Magma has already spent some \$20m on updating mine equipment - mostly on new Caterpillar trucks and bulldozers - and \$5m on a new communications and computing system. "The technical side is

November 1993 for \$37m and an investment commitment of \$485m over five years. When the new owners took posses-sion, the huge mine - which the cash-starved Peruvian state mining company Mineroperu had never had the funds to develop - produced just 18,000 tonnes of copper cathodes and about 1,000 more tonnes of concentrates a month from a small hut eiderly pilot plant.

yprus sbut down the concentrator and chose to ontimise the cathode operation. Installation of tertiary crushers now permits a much finer raw material, which, after being fed through new agglomerators, is deposited on the leaching-pads (a new, 1.2m square metre pad is under construction).

Cerro Verde's rich copper oxides are all hut exhausted. Extensive drilling and exploration is under way to establish the exact limits of the large

MEAT AND LIVESTOCK

III LIVE HOGS CME (40,000lbec conts/lbs)

Oct Des Feb Apr Jun Ang

Feb Mar May Jul Aug Total

ALLMINEM

1650 .

E COPPER

2700 2750

M COFFEE LCE

III LIVE CATTLE CME (40,000los; cents/lbs)

65,825 -0.125 85,850 85,600 5,020 67,725 -0.100 87,800 67,400 29,827

66.950 -0.050 67.025 66.750 14,876 67.100 +0.050 67.150 66.925 8,384 63.000 -0.025 63.250 62.950 3,528

46.650 +0.200 46.750 46.100 8.828 46.150 +0.100 46.350 45.850 12.982 48.650 -0.125 48.875 7,897 48.050 -0.125 48.825 47,800 2.637 53.200 +0.050 53.200 52.850 2.930 52.800 -0.100 52.950 52.500 1,332 20.085

63.300 -0.025 64.300 63.050 5.926 2.163

PORK BELLIES CME (40,000fbs; cents/fbs)

63.275 +0.325 63.950 62.550 64.000 -0.150 64.800 63.900 64.800 +0.375 65.150 64.400

LONDON TRADED OPTIONS

65 108 43 84 27 64

98 72 50 Feb 103 80 62 Dec 57 81 110

53 80 113 74 99 127

98 125 156

Final results, due next month, will determine the size of Cyprus Amax'a investment in a concentrator plant (for the primary sulphides) and hydrometallurgical operation (for the secondary sulphides).

The larger of Cerro Verde's two open pits is on standby, pending drilling results. Even so, production is back up to around 33,000 tonnes (all 99.98 per cent pure copper cathodes) a year. Next year's target is 48,000 tonnes. Investment, largely in new mine equipment, tops \$67m to date.

"Essentially we're moving ahead on all fronts," says Mr Jake Timmers. Labour relations are simpler and better, he says, while safety and environmental concerns now obey the same strict atandards with the same system of audits as in the US".

The new owners of both Cerro Verde and Tintaya have moved their administrative offices out of Lima to their respective mine sites. Both bave anbstantially reduced their workforces: Tintaya now operates with a staff of around 600, down from the 1989 peak of 1,400 under state administration: Cerro Verde's staff is down to 550 from 2,000, while production levels have been maintained

Both North American newcomers have introduced a refreshingly modern approach.

JOTTER PAD

for Peru, to labour policy. Cerro Verde has eliminated the traditional division between white and blue-collar workers (most Peruvian mines still have separate bying and eating quarters for the distinct "classes" of personnel). Both companies are emphasising training and say they are delighted with workers' responsiveness

and adaptability. Batter management-labour relations have yielded immediate results. Magma Tintaya'a management is proud of having negotiated a five-year contract, with built-in productivity targets, with its unions - "his toric anywhere in Latin America," says Mr Browne. Magma is also educating all personnel in the workings – and vagaries – of the world copper markets and, hence, the need to control costs and be internationally competitive.

"Now they understand what influences the success of the company, ensures their job stability and raises their living standards," says Mr Browne. Cyprus abould have its hands full developing Cerro Verde over the next few years. Magma, however, may well be tempted to bid in forthcoming

privatisations: the copper deposits known as Las Bambas, for example, part of the same copper belt as Tintaya but almost 100 miles away, could well prove irresist-

COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE Trices from Amelgement Meter Trading

1666-69 1892-93 1695/1655 1631.5-32.5 Kerb close Open Int. Total daily turnover 1674-75 72,464 III ALUMINIUM ALLOY (\$ per tor High/low AM Official 1390-95 1435-45 Kerb close Open int. Total daily turnover 1440-60 2,991 1,732 m LEAD (\$ per tonne) 642-43 Close Previous 642.5-44.5 644.5-45.0 647/638 643-43.5 Highlow AM Official Kerb close Open int. Total daily turnover 644-45 640-1 M NICKEL (\$ per torme)

Close Previous High/low AM Official 7900-905 7910-15 7940/7880 7885-90 7920-30 7760-65 Kerb close Open Int. Total delly turnover TIN (S per tonne) 6220-25 6260-70 6155-65

Close
Previous
High/low
AM Official
Kerto close
Open Int.
Total delly turnove 8250/6200 8220-25 6220-30 5.364 ZINC, special high grade (5 per 989-90 989-90 985-5/985 988-88.5 991-2 Cione Previous High/low AM Official 985-65.5 Kerb close Open int. Total delily turnover 83,304 31,075 COPPER, grade A & per tonne 2726-27 2746-47 2748-53 2770-75

Close
Previous
High/low
AM Official
Kerb close
Open int.
Total daily turnover 2758-60 190,236 III LME AM Official 9/8 rate: 1,5725 LME Closing E/S rate: 1.5745 Spot: 1.5743 3 mitte: 1.5711 6 mitte: 1.5873 9 mitte: 1.5631 # HIGH GRADE COPPER (COMEX) Open int

-2.75 128.20 125.10 1.135 -3.30 124.95 124.50 1.368 -3.20 127.15 123.30 21.238 21,238 562 419 -2.90 125.00 122.90 -2.60 123.00 122.80 -2.20 124.05 121.20 5,249 36,615

PRECIOUS METALS I LONDON BULLION MARKET (Prices supplied by N M Rothsch \$ price Gold(Troy 02) 383.80-384.20 383.80 243.961 442.330 383.40 243.754 441.255 383.90-384.30 383.00-383.40 Day's High Day's Low

Previous close 383.80-384.10 Gold Landing Rates (Vs USS) Loco Lde N 4.01 2 months 3 months

p/troy 0z. 339.79 344.00 348.40 357.95 535.00 540.65 546.15 657.96 1 year Gold Coins 2 aquits. 243-245 S price 383-386 394.15-396.60 Krugenand Maple Leel

383.9 383.9 383.8 341 107 386.0 -0.1 386.3 385.4 96.381 6,645 386.1 -0.2 386.3 387.5 23.434 339 380.5 -0.2 380.5 390.0 9,984 71 383.2 -0.2 380.3 382.5 12.665 432 386.7 -0.3 382.3 382.5 12.665 432 PLATRIUM NYMEX (50 Troy oz.; \$/troy oz.) 413.8 +1.8 414.5 412.5 506 412.8 +0.8 413.8 410.8 20.847 +0.8 414.5 412.0 1,865 128 +0.8 - 1,499 2 +0.8 474.0 414.0 31 -24,548 1,517 PALLADRIM NYMEX (100 Troy oz.; \$/troy oz.) 138,75 -0,70 139,75 138,75 4,823 262 140,25 -0,70 141,50 141,50 1,025 29 141,50 -0,70 75 5,824 291 SILVER COMEX (100 Troy oz.; Cents/troy oz.) 531.9 -0.3 - 111 535.5 -0.5 536.5 626.5 60,738 537.2 -0.5 539.0 537.2 27 542.2 -0.4 543.0 535.5 12,807 546.3 -0.5 546.3 542.0 6,667 550.2 -0.5 551.5 544.6 6,465 Oct Dec Jan Mar May Jul Total 101,000 10,447 **ENERGY** CRUDE OIL NYMEX (42,000 US galler \$/barrel) 17.58 43.832 17.33 85.124 17.18 48.483 17.14 20.837 17.14 +0.03 17.15 17.12 16,921 17.08 -0.01 17.08 17.06 13,151 ■ CRUDE OIL IPE (\$/barrel) 16,08 73,684 22,851 +0.02 18.04 15.98 29.070 -0.04 15.93 15.88 10,002 -0.07 15.65 15.83 6,561 - 3,416 -0.03 15.71 15.71 15.71 1,823 138,279 37,292 III HEATING OIL HYMEX (42,000 US pails.) Latest Duy's price change 48,90 +0.05 49,40 -0.02 49,85 -0.02 49,70 +0.08 48,75 +0.13 49.05 49.60 48.80 35,432 49.32 41,524

-0.02 50.05 42.77 34.725 3.943 +0.08 49.80 49.70 16.431 749 +0.13 48.85 48.75 5.847 308 +0.23 47.80 47.80 3.727 733 158,782 28,803 E GAS OIL I'E (\$/tomes) Seti Dey's High Low let 146.75 +0.25 147.90 146.00 37,971 147.75 +0.25 148.50 148.25 20.339 148.75 +0.25 149.00 148.25 20.339 148.75 +0.25 149.00 148.00 3.881 148.75 +0.25 149.00 148.00 3.881 148.00 -0.25 148.00 148.00 3.881 148.00 -0.25 148.00 148.00 3.7,331 1 97,831 14,345 M NATURAL GAS NYMEX (10,000 masks; \$4mm8ks) 1.716 +0.011 1.809 -0.004 1.865 -0.005 1.724 1,700 21,203 1.765 +0.001 1.765 1.760 25.153 12,412 1.865 -0.005 1.875 1.860 22,896 4,603 1.815 -0.008 1.820 1.810 12,615 2,537 1.765 +0.001 1.765 1.760 8,874 827 1.702 +0.003 1702 1.700 5,587 131

197,139 32,673 III UNLEADED GASOLINE Open int 51.10 +0.40 51.45 50.70 22.975 49.65 +0.29 49.75 49.65 18,201 49.60 +0.25 49.65 49.65 18,000 50.00 +0.15 50.10 50.00 3,235 50.40 +0.23 50.40 50.25 1,994 53.20 +0.33 -3,036

121.90 +0.65 127.90 121.25 1.314 WHEAT CET (5.000bu mint cents/60th bushel) -6 496% -5% 506% -7% 474 -3 427 -3% 428 -3% 436 M MAZZE CBT (5,000 bu min; cents/58to bushel) Dec 3/25/0 -2/6 330/6
Mer 330/4 -3/4 336/0
May 331/2 -3/6 336/2
Jul 3/28/2 -4/4 33/4
Sep 296/0 -1/0 297/0
Dec 2/78/4 -0/4 279/4
Total

M BARLEY LCE (2 per tomps) 325/0 -2/6 330/8 324/4 226,428 49,000 330/4 -3/4 336/0 330/0157,283 22,193 331/2 -3/6 336/2 331/0 25,915 5,485 326/2 -4/4 333/4 327/6 44,725 6,946 296/0 -1/0 297/0 294/4 6,087 1,432 278/4 -0/4 279/4 277/0 19,714 3,842 481,828 99,838 107.60 -0.05 107.60 107.50 110.55 +0.25 110.65 110.50 113.55 +0.15 113.75 113.40 115.25 +0.05 115.25 115.00 107.00 SOYABEANS CET (5,000hu min; cents/60to bushe) 652/4 663/6 672/6 678/8 683/2 SOYABEAN OIL CET (50,000/bs: cents/lb) III SOYABEAN MEAL CBT (100 tone; \$/ton) Oct Dec Jan Star May Jul Total 197.4 200.3 201.4 202.6 202.5 203.7 POTATOES LCE (E/tonne) 184.0 -2.5 280.0 -268.5 -1.0 312.5 -860.5 -Her Her Apr Jan Total # FREIGHT (BIFFEX) LCE (\$10/Index point) +4 +15 +8 +10 +5 1655 1600 1565 1604 1600 1478

Monor Metals
Europeen free market, from Metal Bulletin, \$
per lb in warnhouse, unless otherwise stated
fast week's in brackets, where changed, Antimonge 98,6%, \$ per tornus, 3,600-3,900 (3,7004,000), Blanmutte min, 98,99%, forms lots 4,004
4,000, forms lot 4,000, Biarrautic min. 98.99%, tonne lots 4.00-4,10 (4,00-4,10). Cadmitume min. 99.95%. 205-210 cents a pound. Cobait: Mil free market, 99.8%, 29.70-30.20 (29.30-29.80); 99.3%, 26.10-26.60 (28.00-28.50). Mercuryr min. 99.99%, 5 per 76 ib flask, 145-185. Michybdename drummed molybolic oxide, 4.45-4.80. Selentume min. 99.5%, 3.80-4.50. Tungstee cree standard min. 65%, 3 per tonne unit (10kg) WO₂ cf. 62-70. Vanadiume min. 98%, cif. 3.00-3.10 (2.95-3.05). Ureniom: Nuexco oxoliance value, 8.50.

COCOA LCE (Stonne) 908 24,721 3,596 939 32,364 2,162 956 15,026 585 974 4,291 59 981 20,874 119 ■ COCOA CSCE (10 tonnes; \$/tonnes) -9 1312 1294 26,383 7,871 -6 1340 1326 21,021 1,636 -5 1361 1350 8,838 61 -2 1378 1378 3,492 118 -8 - 6,202 20 -0 1436 1425 6,061 80 491 59,258 19,899 499 28,825 7,170 467 3,283 740 424 16,970 1,800 426 892 74 435 469 56 1295 1327 1350 1373 103,700 29,739 71,997 ■ COCOA (ICCO) (SDR's/tonne) COFFEE LCE (\$/tonne) -7 +3 -1 -16 -22 -33 2516 2416 9,755 3,416 2455 2353 8,960 3,480 2385 2290 5,420 1,287 2330 2240 2,568 153 2368 2307 2245 2198 2165 2330 561 716 576 146 115 13 25 25 ■ COFFEE 'C' CSCE (37,500fbs; cents/fbs) 122.20 -3.70 129.00 121.50 15.824 7,128 120.20 -2.95 128.50 119.90 9,145 754 119.05 -3.15 125.50 118.50 2,413 73 120.00 -2.85 120.00 119.50 501 30 119.95 -1.50 121.50 121.50 300 2 120.25 -1.50 125.50 125.50 58 -1.993 -4/0 658/6 652/0 74,236 31,956 -3/2 868/4 663/0 41,915 11,601 -3/6 679/0 572/0 20,025 4,484 -3/0 684/2 678/0 8,875 1,617 -3/4 688/4 662/2 10,158 2,215 -5/4 688/0 680/0 166 10 188,525 53,520 M COFFEE (ICO) (US cents/pound) Sep 16 Comp. daily 15 day aven 117.96 M No7 PREMIUM RAW SUGAR LCE (cents/lbs) -0.17 25.65 26.39 1,192 870 -0.21 26.79 25.45 39,225 9,585 -0.20 25.59 26.85 11,849 2,968 -0.19 27.19 26.85 10,367 1,412 -0.20 27.34 27.05 5,276 341 -0.21 27.45 27.15 3,261 178 -73,018 14,462 13,25 10,90 11,95 M WHITE SUGAR LCE (\$/tonne) -22 353.8 348.5 6,296 683 -1.5 328.0 323.5 12,388 767 -1.5 321.5 318.5 3,705 242 -0.7 319.0 316.0 1,980 739 -0.6 287.4 286.3 2,100 131 +0.8 284.5 284.5 706 9 28,384 2,035 348.9 324.3 319.8 316.6 267.0 284.4 -1.2 193.4 197.0 1,523 712 -1.2 202.5 200.0 48,039 14,484 -1.2 203.8 201.1 14,226 3,819 -1.7 205.0 202.5 10,171 3,035 -1.8 205.0 202.3 4,998 1,073 -1.8 205.5 203.1 3,546 780 84,268 24,920 SUGAR "11" CSCE (112,000lbs; cents/fbs) 10.52 -0.09 10.66 10.50 67,745 6,544 10.48 -0.07 18.50 10.45 18.533 1.100 10.41 -0.07 10.50 10.46 10.36 13,802 362 10.32 -0.16 10.46 10.32 8,429 270 10.16 -0.11 119,287 8,967 COTTON NYCE (50,000lbs; censs/lbs) 61.70 -1.16 82.76 81.19 29.442 4.293 91.99 -1.38 82.50 81.42 16,622 2,139 82.56 -1.44 82.90 82.02 7,435 41 82.51 -1.89 83.10 82.35 5,261 160 77.95 -0.35 78.00 77.70 1,405 144 74.95 -0.03 75.05 74.53 5,861 650 67.444 8044 585 487 132 1,109 939 187 5,297 342 1,405 144 5,861 660 67,844 8,004 M ORANGE JUICE NYCE (16,000lbs; cents/lbs) 115.55 -1.75 118.50 115.25 8,460 117.50 -1.85 121.60 117.00 9.218 Her Jan -1.85 121.60 117.00 8,216 -1.90 123.00 118.80 2,572 121.60 123.60 125.60 -1.90 125.50 121.80 1,289 -1.90 127.90 123.80 503 -1.90 - 313

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CST. NYCE, CME, CSCE and IPE Crude Oil are one REUTERS (Base: 18/9/31=100) Oct 18 month ago year ago 2100,7 2113,3 2080,4 S CR9 Futures (Base: 1967=100) Oct 18 Oct 13 month ago year ago 242.26 241.31 III GSCI Spot (Base: 1970=100)

Oct 13 month ago 121.01 164.47

Jan 769 719 670 911 781 711 E COCOA LCE 16 28 38 875 67 71 58 BRENT CRUDE IPE NOV LONDON SPOT MARKETS CRUDE OIL FOB (per berrel/Dec) +01--0.130 -0.020 +0.010 +0.020 Brent Blend (dated Brent Blend (Dec) W.T.I. (1pm est) \$16.02-6.07 \$16.10-6.12 \$17.33-7.35z ■ OIL PRODUCTS prompt delivery CIF (tonne) Gas Oil \$146-147 \$87-88 Heavy Fuel Oil Naphtha Jet tuel Diesel Petroleum Argus. Tel. \$171-176 \$151-152 (0171) 359 8792 ■ OTHER Gold (per troy oz).

Silver (per troy oz).

Piatinum (per troy oz.)

Pelledium (per troy oz.) 531.5c \$412.15 \$137.50 Copper (US prod.) Lead (US prod.) Unq. 41.75c Tin (Kusia Lumpur) Tin (New York) -0.02 -2.0 15.69m 294.5c Cattle (five weight): Sheep (five weight): Piga (live weight): 127.78p 102.34p 99.790 Lon. day sugar (raw Lon. day sugar (wto \$303.8 \$391.7 Barley (Eng. feed) Maize (US No3 Yellow Unq £104,0w Unq. Wheat (US Dark North Rubber (Nov)♥ Rubber (Dec)♥ Rubber (KL RSS No1) 96.25p 96.25p 358.0m Coconut Oil (Philips \$720.00 Palm Oil (Makay.)§ Copra (Phil)§ Soyabeans (LIS) \$632.5 461.0y 192.0 Cotton Outlook'A' Index 90,00c 447p

Nov 1 Waiting for the big noise to come in (6) ing, it whips round (6)

10 Upset, it's clear, by the runout (8)

12 Close-ups of VIPs (3,5) 13 A bit taken aback again and looking more frightened (6)15 Take out something sticky misfortimes (8) 28 For beach pants, they're very heavy (8) 29 Nail goes crookedly into point, it's easily bent (6) 30 What I really look forward to is English paper (8) 31 Accuse someone taken into custody (6)

1 A hard-working committee or ise stated, p pence/kg, c cents/b, cents/kg, z Dec. u NowDec.¶ e is London Physical.§ CT Pottor-ne. § Sheep Burb weight prices).*

just one officious person (8) 2 is it played for drinks? (8) 8 Are they heard from the horse refusing the jump? (6)

DOWN

CROSSWORD No.8,895 Set by ALAUN

ACROSS

6 For which you buy a lever (8) 7 Visits late (6) 8 Where there's food, an insect 4 Cut twice as fast (4,4)

9 With a hissing sound, turn11 And isn't adjusting the vice (5-2) 14 Flew over, he had held (7) 17 All the recalcitrant borse takes objection to (5.3)

18 Another song about the great outdoors? (5.3) 19 Put in the class "Recorded from a box (4)

16 Tight, let out (7)

20 Made use of a disguised voice (7)

21 After a time, retreated from After a time, retreated from After a time, retreated from Material" (8)

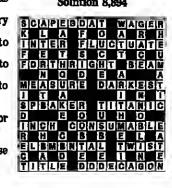
22 Happy days in Germany (6)

23 The light holder in the end would be firmly in place (6)

24 If it's bad, there will be com-

plaints (6) 25 Heavens! Beset by red tapel 27 Encourages to have a cooked (6) 26 Goes back over one's various

Solntion 8,894



pricing range for

ADR offering

By Manuela Saragosa

American Depositary Shares (ADSs) in PT Telkom, Indones

ia's state-owned telecoms group, due to be floated on the

domestic and international

stock exchanges next month,

The indicative price range

values the company at between

\$9.1bn and \$11.4bn and puts it

on a price-earnings ratio of

between 17 and 21.5 for this

year and between 13 and 17 for

Telkom plans to float 27.5

per cent of its enlarged share capital. or just over 3hn shares.

Each ADS is equivalent to 20

The offering is expected to

raise between \$2.5hn and \$3.1bn, with just over half the

investors and just over one

quarter at the domestic mar-

ket. The remainder will be sold

In its prospectus, Telkom

says it expects full-year earn-

ings this year to increase by 4

per cent to Rp827bn (\$365m)

from a number of telecoms

issues due next year, including

Deutsche Telekom - which is

The pricing may also reflect

the risks involved in finalising

memorandums of understand-

expected to raise about \$15bn.

through private placements.

INTERNATIONAL

EQUITY ISSUES

are likely to be priced between

\$19.50 and \$24.50 each.

in Jakarta

next year.

common shares.

INTERNATIONAL CAPITAL MARKETS

Treasuries fall sharply on profit-taking

By Lisa Bransten in New York and Richard Lapper in London

Profit-taking overtook hullish economic data to send US Treasury prices sharply lower in early trading yesterday.

Near midday, the benchmark 30-year Treasury was 1/2 lower at 107% to yield 6.335 per ceot. At the short end of the maturity spectrum, the two-year note was is lower at 100%, to yield 5.663 per cent.

Bonds of all maturities moved higher in early morning trading after the Federal Reserve released figures showing weaker than expected figures on capacity utilisation and industrial production.

After posting a modest gain in August, capacity utilisation slipped to 83.8 per cent in September to reverse the modest increase recorded in August. The median economic forecast had been that about 84 per

cent of US economic resources were used for the production of goods last month

by 0.2 per cent in September.

Industrial productioo slipped led by a sbarp decrease in pro-

duction by utilities. That helped offset modest gains in mining and manufacturing production.

Ms Marilyn Schaja of Donaldson, Lufkin & Jenrette said: The September industrial production report confirms that the manufacturiog sector of the ecocomy is still weak. although the details of the report are not as dire as the factor headline 0.2 per cent decline

may suggest at first glance." The dollar continued to edge down against the D-Mark and yen. Near midday, the US currency was changing hands at DM1.4147 and Y100.35 compared with DM1.4227 and Y100.57 late oo Monday.

■ Weakness in US Treasuries spilled over into Europe yesterday afteroooo with markets losing early gains to close slightly lower.

In London, dealers on Liffe said that rallies in the German. UK and Italian markets had fizzled out mainly because of a lack of interest by institutional buyers following earlier buying hy market professionals.

"People were buying on the expectation of other people buying - but the others didn't

emerge," said Mr Graham Meharg, head of floor trading on Liffe for Credit Lyonnais Rouse. Analysts pointed to the absence from European markets of US institutional investors amid general uncertainty as a particularly significant

GOVERNMENT BONDS

■ In the UK government bond market, the long gilt future gained ground in the morning to reach a high of 105%, before falling back in the afternoon. Traders were hard-pressed to account for the upsurge in the morning, although some attrihuted the rise to slightly better than expected data on the Public Sector Borrowing Require-

ment (£3.7bn for September). Weakness in the Treasury market partially explained the later setback. Analysts and dealers said other factors had also played a part. For exam-

tion, announced yesterday afternoon, caused disappoint- one basis point to 177 points. ment in some quarters.

issue £3hn of 20-year boods later this month carrying a coupon of 8 per cent and redeemable in 2015, cootrary to some expectations of a smaller issue following the difficult September auction.

The new issue carries dividend dates of June and December and like last month's issue can be converted into strips. That should increase its popularity compared with surrounding "non-strippable" issues.

However dealers are expecting some under-performance at the looger end of the yield curve, which is markedly flatter in the UK than in either France or Germany. By late afternoon, the spread between 10 and 20-year UK benchmarks amounted to 19 basis points compared with more than 60

hasis points in Germany. On Liffe the 10-year contract settled at 105₃₂, down ¼. Short sterling was unchanged at 93.25. The yield spread of the

NEW INTERNATIONAL BOND ISSUES

Nov.2005 Oct.2003

99.723R Nov.2000 0.25R 101.95 Nov.1996 1.80

ple, the size of the latest anc- 10-year benchmark gilt over its German counterpart widened

The Bank of England is to The main focus in Germany was the first tranche of this week's issue of 10-year bunds. with the smaller than expected allotment of DM3bn suggesting the overall issue size could be less than the expected maximum of DM15bn. The coupon

was 6.5 per cent. The German market was caught in a relatively tight range. More bond-friendly economic data - a 3.7 per cent fall in monthly manufacturing orders data for August - supported early gains before Treasury weakness contributed to afternoon losses. The 10-year bund future on Liffe closed at

■ There was some marginal relief for the French market following its recent losses. The franc was again weak but the 10-year benchmark managed to out-perform Germany, with the yield spread over bunds narrowing hy one basis point to

Hong Kong | Telkom indicates FRN issue by Chinese state bank

By Simon Holberton in Hong Kong

The People's Construction Bank of China (PCBC) is set to issue HK\$1.2bn of seven-year floating-rate notes (FRNs) tomorrow in a landmark deal for Hong Kong's capital mar-

The PCBC deal is the first time a Chinese state entity has borrowed in the colony's market and may presage a more widespread use of Hong Kong's capital markets hy

mainland Chinese borrowers. Moody's Investors Service recently rated China's commercial banks in an exercise that yielded an E+ financial strength rating for PCBC. An E+ rating describes a financial institution that is "very weak in terms of financial strength and that may have a "need for outside assistance", Moody's

Mr Stuart Gulliver, head of treasury and capital markets at HSBC Markets, a lead manager of the PCBC deal, said the FRN would be priced at 81 basis points over the threemonth Hong Kong interbank offered rate. A large propor-tion of the deal had already been pre-syndicated, he said.

The margin over Hibor that PCBC will pay is a rate commensurate with second-tier, non-note issning banks in Hong Kong such as Dah Sing Bank and Dao Heng Bank. Mr Gulliver said that the

PCBC had been given approval to borrow hy China's State Administration and Exchange Control Commission. This is the first time this year that the commission has approved a non-yen loan,

In addition to HSBC Markets, the PCBC deal is being managed by Sakura Finance Asia, Bayerische Landesbank, Chemical Securities Asia and Union Bank of Switzerland.

telephone lines in five regions of Indonesia, effectively donhling Telkom's capacity.

Once the contracts, known locally as KSO agreements, are signed they will guarantee part of Telkom's profit from revenne-sharing arrangements with the new privately-managed regional operations for the next 15 years.

Analysts had expected the deals to be signed before the flotation but Telkom officials say technical aspects of the contracts, the first of their kind in Indonesia, remain to be worked out.

The prospectus states that "no assurances can be given that the draft KSO agreements will be finalised, executed or implemented in a timely man-

ner or at all". The price of the domestic share offer is expected to be a maximum of Rp2,800. In an effort to develop the domestic investor base, Indonesian indi-viduals will be offered a onefor-10 issue of bonus shares.

issue targeted at international In addition to the 7.25 per cent of Telkom's enlarged share capital which will he listed, a further 4 per cent will be locked up for two years with Indonesian government institu-tions while 1.25 per cent of the share capital will be sold to employees.

and analysts estimate further growth of about 25 per cent in The domestic share offer will start on October 27 and close Jakarta-based brokers said on November 2 while the interthe pricing was "reasonable". national offer period will begin reflecting the competition on October 23 and end on which Telkom faces in the November 10. international equity market

Pricing of Telkom's shares will be announced around November 14 and the listing will take place simultaneously on the Jakarta and Surabaya stock exchanges.

Listings in London and New ing with five consortia to huild York will follow soon afterand operate more than 2m new

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72.

Hokkaido Electric deal highlight of dollar sector

By Conner Middelmann

A quiet day in the eurobond market saw a sprinkling of new issues and, apart from the African Development Bank's loog-awaited D-Mark offering, activity is expected to remain subdued today.

INTERNATIONAL BONDS

Hokkaido Electric Power's \$200m issue of 61 per cent fiveyear bonds was the highlight in the dollar sector.

Priced to yield 30 basis points over US Treasuries, the bonds but on a strong initial performance, causing the spread to tighten in as far as 27 basis points, although it wid-

. .

762 101&
776 109½
7.62 962,34
7.96 108½
8.01 100
8.03 111½
7.90 115½
6.83 78½
9.12 108%
8.15 91½

103/3 111/3 97/3 111/3 102/2 113/3 118 80/2 111/3 93/3

According to a syndicate manager at Yamaichi, joint book-runner with IBJ, distributioo was spread across accounts in the UK, cootinental Europe. Asia and the mid-

group Abril made its eurobond debut with \$100m of eight-year bonds bearing a put option after three years. The 12 per cent boods were priced to yield 625 basis points over Treasuries and were spread about equally between US and European investors, lead manager Chase Investment Bank said. In the D-Mark sector, Hewlett-Packard Issued DM300m of

Workspied Diguiges Committee L

ened back to around its issue level near the close.

US DOLLARS
Hokkaido Electric Power Co.
Checkpoint Systemstays Abrikbi Career Honzonskii\$4 D-MARKS Elsewhere, Brazilian media Final terms, non-callable unless stated, Yield spread (over relevant govt bond) at launch supplied by lead manager, *Unfisted, \$Converbble, #Semi-annual coupon. R: fold re-offer price; fees shown at re-offer level, a) Conversion price; \$357-4, Callable from 1/11/88 at 103% falling 1%pa to par \$15m greenshoe, b) Puttable on 25/10/98 x 99,90%, c) Conv. price; \$35.72, Callable from: 19/10/98,

banks declined to participate in the transaction. However, according to an official at lead manager Salofive-year bonds yielding 28 mon Brothers, "we weren't expecting German distribution basis points over bunds.

Frankfurt, leading German

Because the bonds are listed in of any significance - this was Luxembourg rather than targeted mainly at investors outside Germany," such as Switzerland, the UK and the Middle East.

Bank Austria, the triple-A rated Austrian universal hank, issued DM200m of three-year bonds yielding 30 basis points

over bunds. A dearth of threeyear supply and some investor desire to huy bonds maturing before the implementation in January 1999 of the next phase of European monetary union ensured good retail interest. lead manager Dresdner Bank

				A Company							100			1000		
P	T-ACTUARIES	Tue	Cay's	Man	Accorded	zd adj.						m coupor				
_	K Gilts	Oct 17	change %	Oc: 18	mteres:	ytd		Oct 17	Oct 16	Yr. ago	UCC 17	Oct 16	Yr. ago	OCT 17	OC: 15	Yr. ag
2 3 4 5	Up to 5 years (23) 5-15 years (21) Over 15 years (5) kradeemables (6) All stocks (59) sdex-Baked	120 44 144,25 159,62 182,84 139,88	-0.13 -9.16 -0.17 -0.09	120.44 144,44 159.68 183.15 140.03	0 94 1.96 2.96 4.11 1.77	9,72 9,99 9,84 8,83 9,96	5 yrs 15 yrs 20 yrs krad.†	7.65 8.26 8.30 8.37		8.46 8.41 8.36 8.40 31 5%		7.86 8.27 8.32		7.77 8.37 8.39 10% —		8.67 9.78 8.65
5	Up to 5 years (1) Over 5 years (11) All stocks (12)	192.68 183.63 183.71	+0.10 +0.09 +0.09	192.50 183.46 182.54	-0.21 0.64 0.62	8.37 4.45 4.54	Up to 5 yes Over 5 yes	3.3	25 3.		82	2.0 3.5	7 2.	10 2	B1	

FT FIXED I	NTER	EST II	NDICI	ES					GILT EDGED A	CTIVITY	INDICE:	3		
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Govt. Secs. (UK) Fixed interest	111.18	111.27		110.90	92.63 110.92	109.08	114.66	108.77	Gilt Edged bargains 5-day average	88.3 85.3	87.2 82.4	80.8 81.9	80.8 80.1	89.5 79.4
for 1995. Government 28 and Fixed Interest	nt Securide 1928, SE	a high sm activity m	ce compil choes reb	short 127. 19ed 1974	40 (9/1/35), low 49.1	18 (3/1/75)). Fixed Inte	rest high since complianors 133.6	07 (21/1/94) , k	w 50,53 (3/1/75) . Basis 100	Government !	Socumbes 15

	Oct 17 C	ct 18	Oct 13	Oct 1	2 Oct	11 Yr ago	High"	Low*					Oct 18	Oct 13	Oct 12	Oct	11	Oct	10
Govt Secs. (UK)	92.82	92.83	92.99	92.6	92	63 91.78	95.51	90.22	Gitt Ed	ged ba	argain	£	88.3 85.3	87,2	80.8	80	.8	29	9.5
Fixed interest for 1985. Governme 28 and Fixed Interest	nt Securities h	Ach smot	CONTRACT	more 12	7.40 (9.1	92 109.08 1/35), low 49.1	114.66 8 (3/1/75)	108.77 Fixed Interest	5-day a high ske	sveråg se comp	e Hadori	133.67	85.3 (21/1/94) , k	82.4 ow 50.63 (2/17)	81 <u>.9</u> 5). Basas 100	80 C Govern	1 ment Se	****	- 4
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BENCHMARK GOVERNMENT BONDS ■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% 1 05 0.14 0.83 0.35 0.65 0.72 0.50 0.73 1.02 Australia 7.000 7.750 7.750 6.878 6.250 10.500 6.400 4.600 NOTIONAL ITALIAN GOVT. BONO (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100% Est. vol Open int. 101.63 101.27 102.14 101.30 10150 10200 10250 2.20 1 97 1.76 1.27 1.02 0.81 **US Treasury**
 Open
 Sett price
 Change
 High

 88.73
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 - - Low Dec Mar UK 46,196 31,66 Treasury 84% and Bond Yields 874 712 512 ■ NOTIONAL UK GILT FUTURIES (LIFFE)* £50,000 32nds of 100% Dec 105-10 105-07 -0-04 105-27 105-02
Mar 105-05 104-21 -0-04 105-05 105-05

III LONG GILT FUTURES OPTIONS (LIFFE) 550,000 64ths of 100% CALLS Jan 105 106 107 **BOND FUTURES AND OPTIONS** INOTIONAL FRENCH BOND FUTURES (MATIF) FF:500,000 # ECU BOND FUTURES (MATIF) ECU100,000 Low Est. vol. Open int. 114.96 114.46 114.56 115.36 114.80 114.56 114.94 114.46 114.56 Sett price Change High 86.42 -0,02 66.58 Dec Mar Jun -0.02 114.70 LONG TERM FRENCH BOND OPTIONS (MATIF) Mar ■ US TREASURY BOND FUTURES (CST) \$100,000 32nds of 100% 114 115 118 Est. vol. Open Germany # NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES High 96.04 95.40 Est. vol Open Int. 150413 185994 811 4788 Low UK GILTS PRICES Hotes Int Red Price £ + or - High Low 8.74 8.17 10834 9.96 8.15 12534 9.36 8.14 953 8.07 954 8.09 8.17 983 9.22 8.12 1184 8.33 8.22 1023 8.49 8.24 1053 8.17 8.27 973 8.17 8.27 973 Coor 9 1₂ pc 2005

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Treas 8 2₂ pc 2005-5.

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Treas 11 2₂ pc 2007-2.

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CURRENCIES AND MONEY

MARKETS REPORT

Franc falls on economic and political worries

By Graham Bowley

Growing unease over French economic policy and concerns over government corruption pushed the French franc lower on the foreign exchanges yes-

The franc broke through FFr3.50 against the D-Mark, which was seen as a key level of support for the French currency. It closed in London at FFr3.508 from FFr3.493, against the D-Mark.

Elsewhere, while the French franc sold off, other European currencies managed to remain firm against the D-Mark - at least for the early part of the London trading day - helped by the US dollar's tight trading range against the German cur-

Only in late trading did the dollar dip lower against the D-Mark as the German unit began to strengthen against other European currencies. The dollar finished at DM1.4166 from DM1.4195.

POUND SPOT FOR

Oct 17

Against the yen, it closed at Y100.4 from Y100.3.

Sterling lost ground against Mr Jean Arthuis, the finance Sterling lost ground against the D-Mark, finishing at DM2.2296 from DM2.2376. Against the dollar it closed at \$1.5738 from \$1.5763.

■ The decision to cut the Bank of France's 24-hour emergency lending rate on Monday was seen by analysts as one of the main reasons for the franc's decline.

The cut in the lending rate which was raised last week in an attempt to defend the franc from speculative attack - was seen as premature and had begun to undermine confidence in the authorities' judgement, analysts said.

Worries over the French gov-ernment's progress on budget

Pos	ad to New Yor	k
Oct 17	Lutest	- Prev. chose
Σ spet	1.5725	1.5727
1 mth	1.5713	1.5715
3 mth	1.5890	1.5893
1 yr	1.5563	1.5570

minister, also added to the downward pressure on the French currency.

"The easing of the pressures on the franc [at the end of last week] were only a temporary respite," said Mr Ken Wattret, international economist at HSBC Markets in London.

"There remains a question mark over what the government will decide on welfare spending and there is a political risk in the French franc, he said. Concerns over progress on

spending cuts came to the fore as the French national assembly began its debate on the Ms Sonja Grueter, senior

economist at IBJ International in London, said that if the French authorities do not deliver "substantial results on spending cuts in the next couple of days then speculators are going to have to go after Against the D-Mark (FFr per DM) 3.42 3.48 3.48 3.50 -3.52

3.58 Source: FT Extel

3.56

the franc". Analysts said that the French currency was also weighed down by weak Ger-man industrial production data which suggested that French industrial production data due this week might also be weak - and recent survey evidence pointing to alower growth.

■ The D-Mark'a late advance

came amid speculation that the Bundesbank might leave the repo rate unchanged at its money market operations scheduled for today. This would bring an eod - temporarily at least - to the Bundesbank's recent policy of regular

The D-mark's rise was the main reason behind the dollar's relative decline. Economic data showing the first fall in US industrial output for five months was also given as a reason for the currency's weakness, although this was also put down to disappointment over US Treasuries' failure to react positively to the data.

monthly rate cuts.

The main focus today will be trade figures from both the US and Japan. The Japanese data, which have been showing an improving trend over recent months, is expected overnight. But more important are the US data, which last month triggered a sharp sell-off in the

high trade deficit. Another

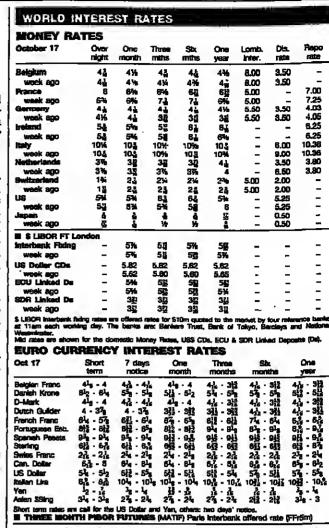
large deficit this month could exert further downward pres-sure on the dollar, which in turn would be detrimental for European currencies, particu-

larly the French franc. The Italian lire, was supported by economic data showing stronger than expected industrial production. There is however concern that the lira may be held back by corruption allegations surrounding Mr Silvio Berlusconi and by today's no confidence debate tabled by centre-left politicians

■ The Bank of England provided £575m assistance towards clearing a forecast shortage of £850m in its daily money market operations.

Oct 17	3	5
Czech Ro	41.3710 - 41 4146	26.2940 - 26.3100
HARRY	206.383 - 206.553	131,170 - 131,220
iran i	4722.30 - 4720.20	3000.00 - 3000.00
Counti	0.4720 - 0.4724	0.3000 - 0.3001
Poland	3.8477 - 3.8556	24455 - 24495
Renda	7097 B1 - 7099.18	4509.00 - 4512.00
HAF	5 7793 - 5 7821	3 8725 - 3 6733

Oct 17		Closing mid-point	Change on day	Bid/offer apreed	Day's	e mid low	One mo	onth %PA	Three mo	%PA	One y	%PA	J.P Morga Index
Europe													
Austria	(Sah)			655 - 704		8.9690						- ,	
Beigium	(BFn)			400 - 800		29.1290							
Denmark	(DKr)			005 - 032	5.5189								
Finland	(79.4)			903 - 953	4.3112		4.2823						
France	(E34)			890 - 863	4.9790		4.9772						
Germany	(DM)			165 - 170	1.4245		1.4146				1.3917		111.8
Greece	Dry			720 - 840		231,870					251.18		96.9
Ireland	(62)			065 - 081		1.8045	1.6075				1.614		
Italy	(L)		-2.4			1599.00	1606.4				1575.65	_	69.5
Luxembourg	(LF1)			400 - 800		29,1290	29.119			1.5	28.74		
Netherlands	(Fit		-0.0024		1.5039		1 5841			20	1.5591		109.0
Norwey	(NK)			370 - 400	8.2626		6.2348			0.8	6.2185		
Portugal	(Est			120 - 220		146,120	149.635			-4.0	155.27		95.5
Spain	(Pta)			580 - 660		122,430	122.985			-3.8	127.25		81.1
Sweden	(SKI)			072 - 164	6.9602		6.9293			~3.1	7.1343		82.0
Switzerland	(SFr)			478 - 485	1,1545		1,1445			3.4	1.1106		115.3
UK	(2)			734 - 741	1,5755		1.5727			0.8	1.558		83.6
Eau	-	1.2953	-0.0016	950 - 955	1.2960	1.2917	1.2957	-0.4	1.2964	-0.3	1.2987	-0.3	
SORT	_	0.88620		-		-	-	-	-	-			
Americas													
Argentins	(Peso)			998 - 999	1.0000		•			-			-
Bruzi	(PS)				0.9585					.:		_ :	
Canada	(CS)		+0.001	384 - 389	1.3390		1,3392		1,3405		1,3507		84,4
	Peso)		-	450 - 550	6.7700	6.7450	6.7523	-0.4	5.7554	-03	6.7603	-0.2	
USA	(5)		-	-		-		-	-	•		-	93.7
Pacific/Middle													
Australia	(AS)			207 - 215	1.3222		1.3228			-1.5	1.3461		97.4
Hong Kong	(1-E(Z)						7,7329		7.7348	-0.2	7,755		-
India	(Ple)			000 - 500		34.2200	34.925	-5.2	35.23	~5.2	36,7	-5.5	
lerael	(Ship			902 - 944		2,8902		-:		- :			
Lapan	m		,	310 - 410		100.310	99,865	5.6	BB.945	5.8	B5.07		143.5
Malaysia	-(NAS)	2,5230		225 - 235	2,5425		2.523	0.0	2.5234	-0.1	2.531		-
New Zeeland	(NZS)	1.5193		186 - 200	1.5205		1,5234	-3.2	1,5309	~3.1	1,5556	-24	-
Philippines	(Pasc)	25.9300		800 - 800		25.8800							-
Saudi Arabia	(SF)	3.7506		504 - 507	3,7507		3.7511	-0.2	3,752	-0.1	3.7551		-
Singapore	(35)	1.4250			1.4280		1.4218	2.9	1,4153	2.7	1,3905		-
South Africa	(FI)	3.8531		523 - 538	3.6550		3.6794	-8.3	3.7264	-8.3	3.9506		-
South Korea	(Word			300 - 400	768,400		770,35	-4.7	773.B5	-3.4	792,35	-3.3	•
Telwen	(T\$)	26.9590		550 - 630	26,9630		26.979	e.o -	27,016	-D.9	100	-	
Challend	CB4	25.1000	-	900 - 100	25,1300	25,0900	25,1875	-42	24,835	4.2	28,055	-3.8	



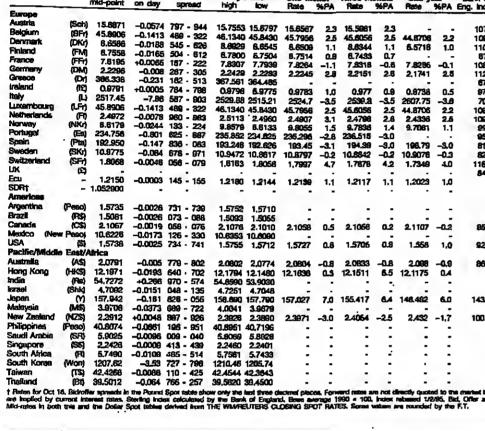
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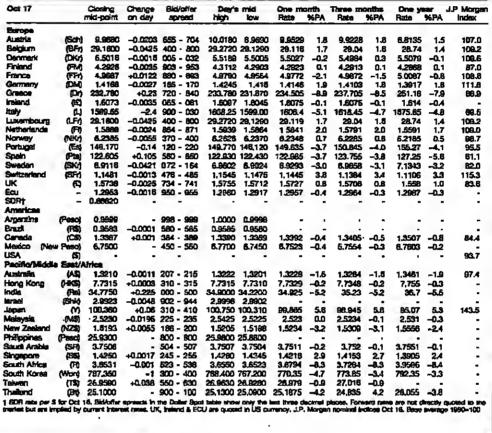
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- 0.3	2.30/8	-0.1	100.6	ł.	Open	Sett price	Change	High	Low	Est. voi	
3 0.1 2 -1.5		0.1	87.0	Dec	92.96	92.99	-0.05	93.12	92.96	53,570	
		-0.8	109.8	Mar	93.86	93.80	-0.08	93.90	93,80	6.733	
3 1.8 5 -8.5		1.B -7.9	111.E 96.9	Jun	94.24	94.19	-0.05	94,26	94.16	3,951	
5 -0.1		-0.4	00.0								
5 -4.7		-4.8	69.5)							
4 1.5		1.4	108.2	I THES	e month i	TUROLLARS		S (LIFFE)	DM1m pol	nts of 100%	
1 20	1.5591	1.7	109.0	<u> </u>	Open	Sett price	Change	High	Low	Est, vol	_
5 Q.B		0.5	88.7	Dec	96.02	95.99	-0.03	96.02	95.98	17638	
5 -4.0		-4.1	95.5	Mar	96.10	96.08	-0.03	96.12	98.07	20414	
5 -3.8	127.25	-5.8	61.1	Jun	96.01	95.99	-0.03	98.03	95.97	15212	
8 -3.1	7.1343	-32	82.0	Seo	95.80	95.78	-0.03	95.83	95.75	11386	
4 3.4	1.1106	3.3	115.3								
8 O.B		1.0	83.6	S THEFE	E MONTH I	UROLEIA	-UTURES	(CHHE)"	.1000m pol	nts of 100%	J
4 -0.3	1.2987	-0.3			Open	Sett price	Change	High	Low	Est. vol	
	-	-		Dec	69.45	89.42	-0.05	89.48	89.37	11308	
				Mar	89.97	89.73	-0.03	89.80	89.97	2718	
		-	-	Jun	89.96	89.88	-0.01	89.82	89.85	330	
				Sep	89.87	89.89		89.92	89,87	268	
50,5	1,3507	B.O-	84.4		E MONTH S		-				
4 -03	6.7603	-0.2	-	- 1794	E BORINI	WHO SEIS	5 FRANC	PU UNDE	a (Filter) a	rr im poiss	•
		-	93.7		Open	Sett price	Change	High	Low	Est, vol	
				Dec	97.66	97.86	-0.01	97.67	67.62	2207	
4 -1.5	1,3461	-1.9	97.4	Mar	97.72	97.73	-0.01	97.73	97.64	2470	
8 -0.2	7,755	-0.3	-	Jun	97.61	87.54	-0.01	97.64	97,61	279	
3 -52	36,7	-5.5		Sep	97.44	97.48	-0.01	97,48	97.42	B1	
		-	-		E MONTH E						
5 5.B	95,07	5.3	143.5	- 1784	E HOMIN				CHIES CI 1UI		_
-0.1	2.531	-0.3	-		Open	Sett price	Change	High	Low	Est. vol	
3.1	1,5556	-24	-	Dec	94.25	94.25	-0.04	94.32	84.23	1861	
		-	-	Mar	94.42	B4.44	-0.03	94,47	94,42	382	
2 -0.1	3.7551	-0.1	-	Jun	94.44	P4.43	-0.03	94.47	B4,40	111	
3 2.7	1,3905	2.4	-	Sec	84,31	P4.28	-0.01	94.31	94.28	79	
4 -8.3	3.9506	-B.4	-		ures pho texts			_ ,			
5 -3.4	792,35	-3.3	•		LIRA OPTK		1 1000m m	Jaka ad 40	ww.		
B -0.9		-	-	= EUNO	LAN OF IR	MED ITHEIR	Cibackii pe	JOILS DE TE	N/N		
4.2	28,055	-3.8		Strike		CAU	LS			PUTS -	-
	ne are not d			Price	Dec	: Ma	r J	Len	Dec	Mar	
Indicate O	Act 16. Becard	Integl é	1990-100	8925	D.45	0.89	7.1	05	0.28	0.35	
				B850	0.31	0.67					
				8975	0.20	0.53					
				Fed. und. to							
6 4,2	26.055 ne are not d tot 16. Besse			Strike Price 8825 B850 8975	Dec D.45	D.85	LS	un 05 89 74	Dec 0.28 0.39 0.53	Mar 0.35 0.44 0.55	

CROSS	RATE	S AN	D DERI	VATIVE	S												
EXCHAI	NGE CI	1055	RATES														
Oct	17	BFr	DKr	FFr	DM	£ L	Ħ	NKr	Es	Ptz	SKr	SFr	£	C\$	\$	Y	Ec
Beigium	(BFr		16.67			133 5485	5.441		511.A	420.4	23.71	3.935			3.430	344.1	2.54
Dommark	(DKr		10			131 2907	2.884		271.1	222.6	12.57	2.086			1.816	182.4	1.40
France	(FFit		11.07			252 3219	3,194		300.2	248.7	13.91	2.310			2013	201.8	1.50
Germany	MCI		3.884	3.508		439 1129	1.120		105.3	86.54	4.881	0.910			0.706	70.84	0.54
Sretand	(15)		6.844			1 2571	2.551	10.03	239.7	197.0	11.11	1,845			1.808	161.3	1.24
Italy	(L		6.344			039 100.	0.099		9.325	7.664	0.432	0.072			6.063	6.273	0.04
Netharlands			3.467			392 1009	1		93.99	77.25	4.357	6.723			6.630	63.24	0.48
Norway	(NK)		6.816			997 2564	2.543	10	238.1	196.5	11.08	1.839			1.603	160.8	1.23
Portugal	Œ		3.689			417 1072	1.064	4.183	100.	82.19	4.638	0.789			0.871	67.2B	0.51
Spakı	(Pta		4.488			508 1305			121.7	100.	5.840	0.936			0.816	61.88	0.83
Sweden	(SKr		7.958			900 2313	2.295		215.7	177.5	10	1.600			1,447	145.1	1.11
Switzerland	(SFr		4.794			542 1394	1.383		130.0	106.8	6.024	1			0.872	87.43	0.67
UK	(E		8.658			2517	2.497		234.7	182.9	10.88	1.808			1.574	157.8	1.21
Connda	(C\$	21.78	4.109			465 119 5	1.185		111.4	91.55	5.164	0.857	0.475		6.747	74.94	0.57
US	(5		5.501			322 15 9 9	1.586		149.1	122.5	6.912	1.147		1.339	_1_	100.3	0.77
Japan	(*		5.489			320 1594	1.581		146.5	122.2	6.890	1.144			0.997	100.	0.76
Egu Danish Kroner.		37.77	7.128			906 2072	2.065		193.2	158.8	8.955	1.456	0.823	1.734	1.295	130.0	1
	Open	Latest	Change	High	Low	Est. vol	Open Int.	Dec		Open 1.0049	Leateust 1.0047	+0.0004	High 1,0057	1.002		Est. vol 6,340	Open 57.54
Dec	0.7051	0.7063	+0.0007	0.7065	0.7046	13,338	48,885 2,524	Mar		1.0178	1.0192	+0.0003	1,0192			41	
Mar	-	0.7092	-	0.7092	-	107		200									
l	_							Dark.				73.000	1,0192	1.030	~	90	
ACM 1		0.7120	_	_	-	1	68	'yrun		-	1.0328	-	-	1.030	~	90	8,733 350
			MM) SFr 12	- 25,000 per	SFr		68			-	1.0328	282,500 p	-	1.030		90	
			+0.0005	0.8745	0.8715	8,925	31,483	E STE	SPI_BK	-	1.0328 ES (MM) 1.5700	-	-	1.566	×	2,307	35,571
swiss F	RANC FUT	URES (9,925 32	31,483 1,784	Dec Mar	SPI_BK	a PUTUR	1.0328 ES (MM) 1.5700 1.5670	- Ω2,500 p	. E	1.566	4	2,307	350 35,571 149
SWISS FI	0,8715	0.9740	+0.0005	0.8745	0.8715	8,925	31,483	E STE	SPI_BK	a PUTUR	1.0328 ES (MM) 1.5700	- Ω2,500 p	. E	1.566	4	2,307	35,571
SWISS FI Dec Mar	0,8715	0.9740 0.8815	+0.0005	0.8745	0.8715	9,925 32	31,483 1,784	Dec Mar Jun		1.5720	1.0328 E8 (MM) 1.5700 1.5670 1.5630	-0.0020 -0.0020	1.5728 -	1.567 1.567	94 70 30	2,307	350 35,571 149
SWISS FI Dec Mar Am	0,8715 0,8813	0.9740 0.8815 6.8880	+0.0005	0.8745	0.8715	9,925 32	31,483 1,784	Dec Mar Jun	FLBX	1.5720 ROPE/	1.0328 68 (MM) 1.5700 1.5670 1.5630	-0.0020 -0.0020 	1.5728 2 UNI	1.566 1.567 1.567	M 70 30	2,307 37 2	35,571 149 10
SWISS FI	0.8715 0.8813	0.9740 0.8815 6.8880	+0.0005 +0.0006	0.8745	0.8715	9,925 32	31,483 1,784	Dec Mar Jun	FLBX	1.5720	1.0328 68 (MM) 1.5700 1.5670 1.5630	-0.0020 -0.0020	1.5728 -	1.567 1.567	H 70 30 TES	2,307	35,571 149 10
SWISS FO	0.8715 0.8813	0.9740 0.9740 0.8815 6.8880 RAT	+0.0005 +0.0006	0.5745 0.8615	0.8715 0.8813	9,925 32 380	31,483 1,784 402	Dec Mar Jun	SRLDN EU	1.5720 ROPE/	1.0328 ES (MM) 1.5700 1.5670 1.5630 LN CU	-0.0020 -0.0020 	1.5728 1.5728 CY UNI Change on day	1.566 1.567 1.567 1.567 74 +/- tr cen. n	TES	2,307 37 2	35,577 149 10
SWISS FI	0.8715 0.8813	0.9740 0.8815 6.8880	+0.0005 +0.0006	0.8745	0.8715	9,925 32	31,483 1,784	Dec Mar Jun E3MS Get 17 Nother Belgion	EU tende	1.5720 ROPE/ Ecu co rates 2.1521 39.395	1.0328 68 (MM) 1.5700 1.5670 1.5630 AN CU	-0.0020 -0.0020 	1.5728 1.5728 Change on day -0.0094 -0.017	1.565 1.567 1.565 1.565 1.565 1.565 1.565 1.565 1.565 1.565 1.565	TES	2,307 37 2 % spread v weaks 6,37 5,98	35,571 149 10
SWISS FORCE Mar Run UK INT LONDOR Oct 17	O.8715 O.8813 ERRESI	0.9740 0.8815 6.8880 FAT	+0.0006 +0.0006 ES ATES 7 days	0.5745 0.8615	0.8715 0.8813 Three months	9,925 32 380 Stx months	31,483 1,784 402 One year 615 - 67s	Dec Mar Jun E3MS Oct 17 Nother Belgion Gorma	EU tesda	1.5720 	1.0328 1.5700 1.5670 1.5630 1.5630	-0.0020 -0.0020 -0.0020 	1.5728 1.5728 CY UNI Change on day	1.566 1.567 1.567 1.567 17 RA* % +/- tr cert. m -2.60 -2.304	TES	2,307 37 2 % spready weakes 8.37	35.57 149 10
SWISS FI Dec Mar Aum UK INT LONDON	O.8715 O.8813 ERRESI	0.9740 0.8815 6.8860 FATEY RA	+0.0006 +0.0006 ATES 7 days notice	0.5745 0.8615 One month	0.8715 0.8813 Three months	9,925 32 380 Six months	\$1,483 1,784 402 One year	Dec Mar Jun E385 Oct 17 Nether Belgium Germe Austria	EU tesda	1.5720 FOPE/ Ecu or rates 2.1527 39.390 1.91430	1.0328 ES (M/M) 1.5700 1.5670 1.5630 LN CU 1.5630 4 2.00 4 2.00 1.5630 1.5630	-0.0020 -0.0020 -0.0020 	1.5728 1.5728 Ctunge on dey -0.00394 -0.00131	1.566 1.567 1.563	TES	2,307 37 2 % spread v weeks 6,37 5,70 5,70	35,57 149 10 20 20 20
SWISS FI Dec Agr Rm UK INT LONDON Det 17	O.8715 O.8813 ERRESI	0.9740 0.8815 6.8880 FAT	+0.0006 +0.0006 ATES 7 days notice	0.5745 0.8615 One month	0.8715 0.8613 Three months 613 - 613 614 - 613	9,925 32 380 Stx months	31,483 1,784 402 One year 615 - 67s	Dec Mar Jun EMSS Oct 17 Nether Beiglum Austria Spein	EU	1.5720 	1.0328 ES (MAM) 1.5700 1.5630 LN CU E again 4 2.1 10 38 77 1.1 13 13	PRENG -0.0020 -0.0020 	1.5728 1.5728 Change cn dey -0.0094 -0.0131 -0.0115	1.566 1.567	TES	2,307 37 2 % spread v weeks 6,37 5,98 5,70 4,11	35.57 149 10 20 20 15
SWISS FI Dec Mar Run LONDON Det 17 Interbank Steating CDs Treasury Bills	O.8715 O.8813 ERRESI	0.9740 0.8815 6.8880 FAT	+0.0006 +0.0006 ATES 7 days notice	0.5745 0.8815 One month 63, 63, 65, 65,	0.8715 0.8813 Three months 6\3 - 6\4 6\4 - 6\4	9,925 32 380 Stx months	31,483 1,784 402 One year 615 - 67s	Dec Mar Jun EMS Cot 17 Nother Belgium Germe Austria Spein	EU tends	1.5720 Ecu ce rates 2.1527 39.3900 13.433 182.437 7.2855	1.0328 ES (MAM) 1.5700 1.5630 AN CU 0. 88 4 24 4 24 5 13 5 16 6 7 3	-0.0020 -0.0020 -0.0020 	1.5728 1.5728 Ctunge on dey -0.00394 -0.00131	1.566 1.567 1.563	TES	2,307 37 2 % spread v weeks 6,37 5,70 5,70	35,570 149 10 20 17 20 15 4
SWISS FI Dec Mar Jun	0.8715 0.873 0.883 EEESSI MON	0.9740 0.8815 6.8880 FAT	+0.0006 +0.0006 ATES 7 days notice	0.5745 0.8815 One month 6¾ 6¾ 6¾ 6¾ 6¾ 6¾	0.8715 0.8813 Three months 63 - 64 64 - 64 65 - 64	9,925 32 380 Stx months 5% - 64 64 - 68	31,483 1,784 402 One year 615 - 67s	Dec Mar Jun EMSS Oct 17 Nether Beiglum Austria Spein	iende m erk	1.5720 	1.0328 1.5700 1.5630 1.5630 1.5630 1.5630 1.5630 1.5630 1.5630 1.5630 1.5630 1.5630 1.5630 1.5630 1.5630	-0.0020 -0.002	1.5728 	1.566 1.567	TES	2,507 37 2 % spreas v weeks 6,37 5,58 5,70 5,70 4,11 3,98	35,571 149 10 20 17 20 15 4 3

LOWD	ON MO	MEV D	TES						(M205	against Ecu	on de	e % +/- trom y cen. nete	% spree	
Oct 17	OH MO	Over-	7 days	One	Three	Stx	One	Netherlands	2.15214	2.09506	-0.0009		6.37	
OCT II		night	notice	month	months	months	Add.	Belglom	39,3960	38.4915	-0.0		5.98	
		Ble - Ble	64 - 62	63e - 63e	612 - 613	5% - 64	614 - 67	Germany	1.91007	1.87109	-0.0013		5.70 5.70	
Interbank S		84 - 64	04 - 018	611 - 65	84 · 6H	64 - 61	63 - 63	Austria Spein	182,483	13.1647 161.815	+0.11		4.11	
Starting CE				65 - 676	84 - 611 85 - 614			Denmark	7.28580	7.25522	-0.0038		3.98	
Treasury B	Sens:	- :		613 - 613	913 - 65a	65 - 616		Portugal	195,792	196,918	-0.0		2.95	
Bank Bills	onty deps.	632 - 632	652 - 612	634 - 678	812 - 614	64 - 64	6H - 6%	Prance	6,40608	8.54879	-0.0146		1.29	
	Aarkat deps	73: - 6 ¹ 2	614 62		•			Ireland	0.792214	0.820294	+0.0008	3,54	0.00	
LIK digerine	g benk bese	lending rat	e 6% per c	ent from Fe	brusry 2, 19	95		NON ERM ME						
			Up to 1	1-3	3-6	9-8	9-12	Greece	292,857	307.116	+0.36		-1.26	
			month	month	months	months	months	Italy UK	2105.15 0.786652	2107.08	-5.4 +0.00018		3.50 -2.74	
Centre of Ta	ax dep. (£10	0,000)	9	5%	574	5	84	Fou central rates	and by the Eu	roceen Commis	ion. Current	des are in descend	ing relative at	
Certs of Tax Ave. tender 1985. Agree period Sep 1	dep. under £ rate of discou d rate for per 1, 1985 to Se	100,000 is 2 est 6,8001 pc. od Oct 25, 1 p 28, 1985, 5	985 to Nov 2 Ichames IV &	5, 1985, Sch V 6.795pc. J	grape II & M (Ingace House	Base Rate	Sep 29, ence rate for 7pc from	ratio between two for a currency, as Ecu central rate.	goe are for Ed apreads: the ad the mandax	un beungseg bei beigeurste cyli nt a boenne cur	sentage dev	a week currency. I sen the ectual mark letten of the curren usement catculated	est and Environment of Cylin market of	ete i
THREE	MONTH S				Low	Est. vol	Open int.	E PHILADEL	PHEA SE &	S OPTIONS	£31,250 (o	ents per pound)		
	Open	Sett price		High		5663	95280	Strike	-	CALLS -			PUTS	
Dec	93.25	93.25		93.26	93.24 93.23	15405	58659	Price	Oct	Nov	Dec	Oct	Nov	D
Mar	93.26	93,27	+0.01	93,29 93,22	93.23	6116	44301	1.540	3.42	3.93	4.36	0.22	0.77	1.
Jun	93.16	93.20	+0.02	93.03	92.93	3899	33464	1.550	2.58	3.23	3.71	0.39	1.07	1.
Sep	92.95	93.00	+0.02	92.81	92.72	1308	24728	1_580	1.91	2.80	3.12	0.59	1.45	2
Dec	92.73	92.79						1.570	1.30	2.10	2.58	0.97	1.89	2
Also trackd	on APT. AL	-par mare	19E 00 10		•			1.590	0.83	1.85	2.17	1.51	2.15	2
			e a IFFE 6	500,000 po	ints of 100	%		1,590	0.48	1.63	1.78	2,17 en ins., Cette 225,13	2.43 7 Puss 251.3	3.
	eveni su	а сеттой						LAMBORATE CONT. NO.	L, Lam 4,2/0	PUS 1,011 . PT	M. CON S CO	BISH OLD EEGI	11 - 000 CO 1,00	_
	STERLIN		18			PUIS —								_
Strike	STERLIN	CA	ar). Jun	Dec	Mer -	Jun 0.48		WITH EXP	DOLLAR NA	M Sim po	ints of 100%		
Strike Price	Dec 0.12	GA M 0.5	ar .)Un ,41	Dec 0.12	Mer 0,29	0.48	n Trible Mo					Can yai	~
Strike Price 1926 19350	Dec 0.12 0.04	CAI	E 0	λιπ ,41 ,29	Dec 0.12 0.29	Mer 0,28 0,41 0,58	0.46 0.59 0.75	THREE MC	Open L	seest Chan	ge Hig	h Low		
Strike Price 8926 8950	Dec 0.12 0.04	CAI	E 0	λιπ ,41 ,29	Dec 0.12 0.29	Mer 0,28 0,41 0,58	0.46 0.59 0.75	III THIREE MO	Open L 14.25 9	4.26 +0.0	ge Hig 1 94.3	th Low 27 94.24	37,545	402
Strike Price 1926 19350	Dec 0.12 0.04	CAI	E 0	λιπ ,41 ,29	Dec 0.12 0.29	Mer 0,28 0,41 0,58	0.46 0.59 0.75	Dec S	Open L 14.25 9 14.43 9	4.26 +0.0 4.45 +0.0	pe Hig 1 94.2 2 94.4	th Low 27 94.24 45 94.43	37,545 58,771	403
Strike Price 8926 8950	Dec 0.12 0.04	CAI	E 0	λιπ ,41 ,29	Dec 0.12 0.29	Mer 0,28 0,41 0,58	0.46 0.59 0.75	Dec 8 Mar 9 Jun 9	Open L 14.25 9 14.43 9 14.43 9	stest Chan 4.26 +0.0 4.45 +0.0 4.45 +0.0	pe Hig 1 94.2 2 94.4 2 94.4	\$1 LOW 27 94.24 45 94.43 47 94.43	37,545	Ope 402 365 246
Strike Price 8926 8950	Dec 0.12 0.04	CAI	E 0	λιπ ,41 ,29	Dec 0.12 0.29	Mer 0,28 0,41 0,58	0.46 0.59 0.75	Dec (Mar)	Open L 14.25 9 14.43 9 14.43 9	4.26 +0.0 4.45 +0.0 4.45 +0.0 4.45 +0.0	ge Hig 1 94.2 2 94.4 2 94.4 M) \$1m pe	5 LOW 27 94.24 45 94.43 47 94.43 17 100%	37,545 58,771 30,213	402 392 246
Strike Price 8926 8950	Dec 0.12 0.04	CA M 0.5 6.1 0.1 Puiss 10870	ar v 10 0 16 0 0 0	Ari ,41 ,29 ,20 y's open int.	Dec 0.12 0.29 0.51 Calls 1421	Mer 0,28 0,41 0,58	0.46 0.59 0.75	Dec S Mar 9 Jun 9 US TREAS	Dpen L 14.25 9 14.43 9 14.43 9 14.43 9	4.26 +0.0 4.45 +0.0 4.45 +0.0 7.07.07.07.07.07.07.07.07.07.07.07.07.07	pe Hig 1 94.3 2 94.4 2 94.4 Mi \$1m pe	5 Low 27 94.24 45 94.43 47 94.43 x 100%	37,545 58,771 30,213	402 362 246
Strike Price 8926 8950	Dec 0.12 0.04	CA M 0.5 6.1 0.1 Puiss 10870	ar v 10 0 16 0 0 0	Ari ,41 ,29 ,20 y's open int.	Dec 0.12 0.29 0.51 Calls 1421	Mer 0,28 0,41 0,58	0.46 0.59 0.75	Dec S Mar S Jun S TREAS	Open L 4.25 9 4.43 9 4.43 9 4.43 9 4.81 9 4.81 9	4.26 +0.0 4.45 +0.0 4.45 +0.0 7.17 URBS (M. 4.83 +0.0 4.94 +0.0	pe Hig 1 94.1 2 94.4 2 94.4 M \$1m pe 2 94.5 2 94.5	5 Low 27 94.24 45 94.43 47 94.43 4 100% 80 94.81 94 94.92	37,545 58,771 30,213 714 948	402 392 246 12 3,1
Strike Price 8926 8950	Dec 0.12 0.04	CA M 0.5 6.1 0.1 Puiss 10870	E 0	ATI	Dec 0.12 0.29 0.51 Calls 1421	Mer 0,28 0,41 0,58	0.48 0.59 0.75	Dec S Mar S Jun S TREAS	Open L 94.25 9 94.43 9 94.43 9 14.43 9 14.81 9 94.82 9	4.26 +0.0 4.45 +0.0 4.45 +0.0 7.07.07.07.07.07.07.07.07.07.07.07.07.07	pe Hig 1 94.1 2 94.4 2 94.4 M \$1m pe 2 94.5 2 94.5	5 Low 27 94.24 45 94.43 47 94.43 4 100% 80 94.81 94 94.92	37,545 58,771 30,213	403 995 246 12 3,
Strike Price 8825 8350 8375 Est. vol. total	Dec 0.12 0.04 0.01 st, Cabs 3542	0.3 6.1 0.1 Puta 10870	ar of the control of	Arn ,41 ,29 ,20 g/s open int.	Dec 0.12 0.29 0.51 _ Calls 14215	Mer 0.29 0.41 0.58 57 Puta 1825	0.46 0.59 0.75 77	Dec S Mar S Jun S TREAS	Dpen L M.25 9 M.43 9 M.43 9 M.81 9 M.81 9 M.82 9 4.87 8	4.25 +0.0 4.45 +0.0 4.45 +0.0 4.45 +0.0 4.7 +0.0 4.83 +0.0 4.94 +0.0 4.87 +0.0	pe Hig 1 94.1 2 94.4 2 94.4 M \$1m pe 2 94.5 2 94.5	5 Low 27 94.24 45 94.43 47 94.43 4 100% 80 94.81 94 94.92	37,545 58,771 30,213 714 948	403 995 246 12 3,
Strike Price 9225 9335 9375 Fet. vol. total	Dec 0.12 0.04 0.04 0.01 0.01 2, Calls 3542	0.3 6.1 0.1 Pudas 10870	ar of the second Lawring Lawring	ing RA	Dec 0.12 0.29 0.51 Calls 14215	Mer 0.29 0.41 0.58 57 Puts 1325	0.46 0.59 0.75	Dec S Mar 9	Dpen L M.25 9 M.43 9 M.43 9 M.81 9 M.81 9 M.82 9 4.87 8	4.25 +0.0 4.45 +0.0 4.45 +0.0 4.45 +0.0 4.7 +0.0 4.83 +0.0 4.94 +0.0 4.87 +0.0	pe Hig 1 94.1 2 94.4 2 94.4 M \$1m pe 2 94.5 2 94.5	5 Low 27 94.24 45 94.43 47 94.43 4 100% 80 94.81 94 94.92	37,545 58,771 90,213 714 948 13	403 995 246 12 3,
Strike Price 8826 8826 88350 8875 Bet. vol. total	Dec 0.12 0.04 0.05 0.01 0.01 2. Calls 3642	CA M 0.3 6.1 0.1 Pute 10870 BASI % 6.75 D	E LEND	Ari Ari 26 20 8/s open int. ING RA 6	Dec 0.12 0.29 0.51 Calls 1421	Mer 0,28 0,41 0,58 57 Puts 1325	0.46 0.59 0.75 77 %	Dec S Mar 9	Dpen L M.25 9 M.43 9 M.43 9 M.81 9 M.81 9 M.82 9 4.87 8	4.25 +0.0 4.45 +0.0 4.45 +0.0 4.45 +0.0 4.7 +0.0 4.83 +0.0 4.94 +0.0 4.87 +0.0	pe Hig 1 94.1 2 94.4 2 94.4 M \$1m pe 2 94.5 2 94.5	5 Low 27 94.24 45 94.43 47 94.43 4 100% 80 94.81 94 94.92	37,545 58,771 90,213 714 948 13	403 995 246 12 3,
Strikes Price 8826 8826 8350 8350 Fet. vol. total	Dec 0.12 0.04 0.01 0.01 el, Cubs 3642	CA M 0.3 6.1 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1	E LEND	An A1 29 20 20 20 20 20 20 20 20 20 20	Dec 0.12 0.29 0.51	Mer 0.28 0.41 0.58 57 Puts 1325	0.48 0.59 0.75 77	Dec S Mar S Jun S TREAS	Dpen L 14.25 9 14.43 9 14.43 9 14.43 9 14.81 9 14.81 9 14.87 8 14.97 8	A428 +0.0 4.45 +0.0 4.45 +0.0 4.45 +0.0 4.45 +0.0 4.483 +0.0 4.83 +0.0 4.94 +0.0 4.97 +0.0 4.97 +0.0	pe High 1 94.1 2 94.4 2 94.4 Mi Sim pe 2 94.5 4 94.5	th Low 27 94.24 45 94.43 47 94.43 47 94.43 4 100% 83 94.81 94 94.92 97 94.97	37,545 58,771 90,213 714 948 13	403 995 246 12 3,
Strikes Prices R326 R326 R325 R375 Eet. vol. total Adlem & C Allied Truc All Bank	Dec 0.12 0.04 0.01 0.01 e. Calls 3642	CA M O.5 6.1 0.1 Puts 10870 BASI % 6.75 0.8.75 6.75 6.75 6.75 6.75	E LEND Lincoln Lawring E LEND Lincoln Lawring Lincoln S Golden Bank L Ingenital S Golden Floring	ING RA	Dec 0.12 0.29 0.51 Cals 1421	Mer 0,28 0,41 0,58 0,41 0,58 7 Pvts 1825 0,57 Pvts	0.48 0.59 0.75 77 76 76 77 76 76 77	Dec S Mar S Jun S B US TREAS Dec S Mar S Jun S Al Open interest	Dpen L 14.25 9 14.43 9 14.43 9 14.43 9 14.81 9 14.81 9 14.87 8 14.97 8	A428 +0.0 4.45 +0.0 4.45 +0.0 4.45 +0.0 4.45 +0.0 4.483 +0.0 4.83 +0.0 4.94 +0.0 4.97 +0.0 4.97 +0.0	pe High 1 94.1 2 94.4 2 94.4 Mi Sim pe 2 94.5 4 94.5	th Low 27 94.24 45 94.43 47 94.43 47 94.43 4 100% 83 94.81 94 94.92 97 94.97	37,545 58,771 90,213 714 948 13	402 392 246 12 3,
Adem & C Aled Trus Adem & C Aled Trus Ale Bank	Dec 0.12 0.04 0.01 0.01 0.01 0.01 0.01 0.01 0.01	CA M 0.3 6.1 10.70 10.870 10.870 10.870 10.870 10.870 10.870 10.875 10.8	S 00 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	A1 28 20 20 ING RA imited 7. an Barris 8. boon 8.	Dec 0.12 0.29 0.51	Mer 0.28 0.41 0.58 7 Puta 1325 1 1325	0.48 0.59 0.75 0.75 0.77 76 ontine oid is no ist on 10 ontine 6.75 der 6.75	Dec S Mar S Jun S TREEAS: Dec S Mar S Jun S Al Open Interest E EUROMAR: Strike	Dpen L 14.25 9 14.43 9 14.43 9 14.43 9 14.81 9 14.81 9 14.97 B 16.00 are for p	### Change	pe High 1 94.2 2 94.4 2 94.4 Mi Sim pe 2 94.5 4 94.5 m points of	th Low 27 94.24 45 94.43 47 94.43 47 94.43 4 100% 80 94.81 94 94.92 97 94.97	37,545 58,771 90,213 714 948 15	12 39 24 12 3,
Adem & C Albert True Adem & C Albert True AB Bank Blenry Ars Sanc of B	Dec 0.12 0.04 0.01 0.01 0.01 0.01 0.01 0.01 0.01	CA M 0.3 6.1 0.1 Puts 10870 BASI % 8.75 6.75 6.75 6.75 6.75 6.75 6.75 6.75 6	DE LEND Lincan Lawrington Bank Lincan Lawrington Bank Lincan Lawrington Bank Lincan Lawrington Bank Lincan Lawrington Marie Bank Lincan Bank Bank Lincan Bank Bank Bank Bank Bank Bank Bank Ba	ING RA	Dec 0.12 0.29 0.51	Mer 0,28 0,41 0.58 7 Puta 1325 rapine Guaravation Limite or authorised folioging facility Bit of Scotle r & Hidden	0.48 0.59 0.75 77 76 misse ad is no as no. 10 and 6.75 der 8.75 der 8.75	Dec Salar Sa	Den L 14.25 9 14.43 9	### Change	pe High 1 943 2 94.4 2 94.4 51m pe 2 94.8 4 94.8 m points C	th Low 27 94.24 45 94.43 47 94.43 4 100% 80 94.81 94 94.92 97 94.97	37,645 58,771 30,213 714 848 13	12 34 12 3, 1
Strikes Prices B8326 B8326 B8326 B8325 B8375 Bet. vol. total Adlem & C. Alle Barrix Bernix of Barrix Barrix of Barri	Dec O. 12 O.	CA M O.5 6.1 0.1 P.do 10870 BASI 8.75 6.75 6.75 6.75 6.75 6.75 6.75 6.75 6	LES O O O O O O O O O O O O O O O O O O O	Nn A1 28 20 20 ING RA ING RA imited 7. 91 Bank 7. 9 E Co. 8 6. 3 Zurich .8. k 6. 4 6. 4 6. 4 6. 6. 4 6. 6. 2 6. 6. 8 6. 6. 8 6. 6. 8 6. 6. 8 6. 6. 6 6. 6 6. 6 6. 6 6. 6	Dec 0.12 0.29 0.51 Cats 1421	Mer 0,28 0,41 0.58 7 Pura 1825 7 Pura 1825 6 Pura 1825	0.48 0.59 0.75 77 77 76 76 76 76 76 76 77 76 77 76 77 76 77 77	Dec S. Mar S. Jun S. All Open Inserted. B. US TREAS: Dec S. Mar S. All Open Inserted. B. EUROMAR. Strike Price S. 9575 0.0	Den L 4.25 9 4.43 9 4.43 9 4.43 9 4.43 9 4.43 9 4.43 9 4.43 9 4.43 9 4.49 Ba figuran for September 1 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	######################################	pe High 1 943 2 94.4 2 94.6 Mi Sim pe 2 94.6 4 94.5 m points of Mar 0.39	th Low 27 94.24 45 94.43 47 94.43 47 94.43 47 94.43 47 94.81 94 94.92 97 94.87 4 190%	37,845 58,771 30,213 714 948 13	12 39 246 12 3,1 1
Adam & C Adam & C Alled Truc Alled Truc Alled Truc Alled Truc Bank of C Banc of R Bank of C Bank of C	Dec Q.12 Q.04 Q.01 e. Calls 3642 Company	CAM M 0.3 8.1 0.1 0.1 0.1 0.2 0.1 0.2 0.2 0.3 0.3 0.3 0.3 0.3 0.3 0.3 0.3 0.3 0.3	S O O O O O O O O O O O O O O O O O O O	A1 28 20 20 ING RA imited 7. an Barrik 6. imited .	Dec 0.12 0.29 0.51	Mer 0.28 0.41 0.59 0.41 0.59 7 Pura 1325 7 Pura 1325 7 Pura 1325 8	0.48 0.59 0.75 77 77 76 76 77 76 77 77 76 77 77 76 77 77	Dec S Mar S Jun S Dec S Mar S Jun S Dec Mar S Jun S AJ Open Interest. III EUROMAR SITUE Price S Dec S Dec Mar S Dec	Den L 4.25 9 4.43 9 4.43 9 4.43 9 4.43 9 4.43 9 4.49 9 4.497 8 4.697 8	######################################	ge Higg 1 94.3 2 94.4 2 94.4 5 im pe 2 94.5 2 94.5 4 94.5 m points 6	th Low 27 94.24 45 94.43 47 94.43 4 100% 80 94.81 94 94.92 97 94.97	37,845 56,771 30,213 714 948 15	12. 3. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.
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Dec	94.25	94.2	6 +0.	01 9	4.27	94.24	37,545	402,80
Mar	94.43	94,4	5 +0.	02 9	4,45	94.43	58,771	395,34
Jun .	94,43	94,4	5 +0.	02 9	4.47	94.43	30,213	245,57
E 1/3 T/	MASURY I	EL FU	UNES (IA	AM) \$1m	per 1007	4		
Dec	94,81	94.8	3 +0.	02 9	4,83	94,81	714	12,42
Mer	94.92	94,9	4 +0.	02 9	4,94	94,92	948	3,918
Jun	94.97	B4.8	7 +0.	04 9	4.97	94,97	15	160
	MARK OP			lm points	ed 1009	<u> </u>		
		TICHS (L	JFFFE) DM				PUTS —	
		TICHS (L					PUTS —	Mar
EURO Sirika	Nov	Dec	FFE DM				Jan 1	
EURO Sirika Price	HARK OP	70H6 (L	IFFE) DM CALLS Jen	Mar	Nov	Dec	Jan 1	0.06
EURO Strike Price 9575 9600 9625	Nov 0.25 0.05 0.01	Dec 0.26 0.08 0.02	Jen 0.57 0.18 0.07	Mar 0.39 0.22 0.10	Nov 0.01 0.06 0.27	Dec 6.02 0.09 0.28	0.04 0.10 0.24	0.06 6.14 0.27
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FINANCIAL TIMES WEDNESDAY OCTOBER 18 1995 * FI MANAGED FUNDS SERVICE

FOR AND THE PROPERTY OF THE PROPERTY FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Deck on (+44 171) 873 4378 for more details. FT MANAGED FUNDS SERVICE Selling Styling our York MARAGED FUNDS NOTES

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LONDON STOCK EXCHANGE

Footsie falters on the brink of its all-time high

UK Stock Market Editor

An early attempt by the UK equity market to push into previously untouched territory eventually came to nothing yesterday, as worrying news from across the Atlantic all but wiped out beavy initial gains.

The downturn in London and across European markets followed disappointing third-quarter results from IBM, the US computer giant, and news of a fall in US industrial output during September, Economists bad expected industrial production in the US to be flat compared with an actual decline of

And further downward pressure was put on equities by a weakening gilts market, which started to lose ground during the afternoon in the wake of news of next week's auction of £3bn worth of 8 per cent gilts, dated 2015. Previously, gilts had moved up around 11 ticks following the September public sector horrowing requirement which, at £3.6bn, was in the middle of the market range.

After coming within seven points of its all-time intraday high, 3,587 reached on September 15, the FT-SE 100 dropped back sharply as traders became increasingly twitchy about Wall Street.

The index ended the day a net 4.9 favourites over the past couple of firmer at 3,562.2. The market's years. Shares in RBoS moved up to reversal was much more substantial in the second-tier stocks, represented by the FT-SE Mid 250 index. which underperformed the premier index throughout the session and eventually closed 2.1 lower at

Earlier, UK equities had surged higher, as speculators continued to focus on the bid opportunities said to be on offer in the banking sector in the wake of the recently agreed merger between Lloyds Bank and

Much of the speculation was again concentrated on Royal Bank an all-time high yesterday.

SBC Warburg, one of the leading securities houses, put a 750p a share price tag on the Scottish bank and said a merger between RBoS and HSBC would be a perfect fit, with HSBC's First Direct telephone banking division and RBoS's Direct Line telephone insurance business providing plenty of scope for big cost savings and business

opportunities. Other takeover stories helping to drive the market higher included Thorn EMI, whose highly successful music business, EMI, was suggested of Scotland, one of the market's as a potential target for Mr Rupert

shares rose to a record high of

1568p, before a late afternoon

bont of profit-taking left them

a net 10 up st 1537p. However,

one analyst dismissed talk of a

News Corp bid, saying: "EMI

music would cost upwards of £5.4bn, which would be expen-

A recent recommendation

from NatWest Securities con-

tinued to boost hotels group

Forte. The shares appreciated

41/2 to 249p in trade of 3.2m.

Stakis, which yesterday came

out with a fourth-quarter trad-

ing statement in line with mar-

ket expectations, relinquished

3 to 78p, with dealers pointing

to the availability of a large

Tottenham Hotspur stock

was in demand ahead of

today's annual meeting and

the shares advanced 14 to 195p.

Several leading drink stocks

came under pressure, as talk

went round the market that

BZW had published a bearish

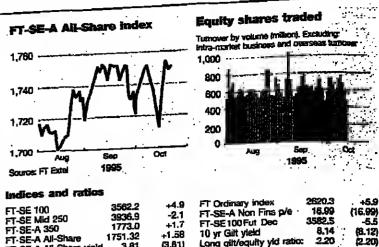
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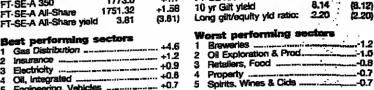
sive for News Corp."

Opening around five points ahead, the FT-SE 100 quickly gained momentum, peaking at 3,580 in mid-morning before coming off for the rest of the session as Wall Street influences began to have an impact

on European markets. The Dow Jones Industrial Average was down 13 points shortly after it opened, rallied into positive territory very briefly and then fell back again 90 minutes after London had closed.

Turnover in London was disappointing, reaching 658.3m shares by 6pm. Customer business on Monday was valued at £1.28bn, the lowest figure for two weeks.





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E EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) \$10 per full index point

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FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point

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FUTURES AND OPTIONS

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Buyers move in for Gas

Shares in British Gas jumped 111/2 to 2541/ap, with 29m traded, in response to a change of heart from one leading agency broker and sweening boardroom changes announced on Monday.

The rise halts a three-month slide, which has seen the sbares underperform the FT-SE-A All-Share index by 20 per cent, the first significant bout of underperformance since flotation at the end of 1986.

James Capel raised the stock to a buy from a bold, on the basis that the selling has been overdone and it believes there could be another 15p upside in the share price. The broker is said to have pointed out that the share price is at an all-time relative low and the yield relative at an all-time high, Also, ABN Amro Hoare Govett. which bas traditionally taken a more negative view, believes the sbares bave bit a level where the selling could stop.

However, Hoare said the Gas ettack will oot stop fully until fundamental concerns begin to fade. There are worries about tough financial penalties if poor service levels continue at TransCo. British Gas's monopoly pipeline division, which accounts for the bulk of the company's revenues.

RBoS bid talk

Royal Bank of Scotland seen as the perfect focus for rumour

The shares forged ahead 23 at best before slipping back to close a net 9 up at 534p. Marketmakers' attempts to clear short positions squeezed the stock higher. And dealers said SBC Warburg was recommend

ing the stock Although the broker did not comment, it apparently put a break-up value of between 680p and 750p a sbare on RBoS, valuing the group at £5.4bn to £6bn. It is believed to have said that, within that price range. HSBC could take over the bank without suffering earnings dilution.

A number of other scenarios were visited and revisited. Possible outcomes include an aggressive bid by BAT Industries, a bid for RBoS's Direct Line insurance arm and the possibility that Abbey National might make an offer.

Finally, dealers said Bank of Scotland could be interested a rumour denied by the potential bidder - and that NatWest could use the money from its disposal of Bancorp, its US arm, to strengthen its hand north of the border.

HSBC bardened 3 to 951p. BAT a penny to 550p and Nat-West 4 to 644p, while Ahhey dipped 6 to 557p and Bank of Scotland a penny to 258p.

P&O active

Transport and property group P&O hardened 3 to 472p after Panmure Gordon, the company's joint broker, published its first hullish note on the stock for more than a year. In a note to investors, Pantions of the stock, saying: "It is at a 12-year price relative low, the 8.3 per cent yield is the highest in the FT-SE 100, and the chairman bought 100,000

shares on October 9." Panmure believes P&O has recognised the need for disposals and it said: "It is their intention to substantially reduce their £1.4bn investment property portfolio and other options are under consider-

ation. In the rest of the sector, British Airways was the subject of profit-taking which left the shares falling 6 to 468! p.

Bid speculation once again drove leisure giant Thorn EMI sharply forward, with the latest talk in the market suggesting News Corporation as a possible bidder for Thorn's music business following a demerger A decision on Thorn EMI's demerger is expected early next year. During the session the

EMANCIAL TIMES FOLLTY INDICES

	Oct 17	Oct 16	Oct 13	Oct 12	Oct 11	Yr ago	"High	Low
Ordinary Sharo	2620.3	2614.4	2628 6	2601.3	2562.3	2373.9	2886.5	2238.3
Ord, div. yield	4.07	4.08	4,07	4 12	4.19	4.33	4,73	4.02
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P/E ratio nil	15,65	15 63	15.66	15.47	15.22	19,17	22.21	15.17
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company's revenues.	after Panmure Gordon, the company's joint broker, pub-	■ London market da	ta		
RBoS bid talk Bid talk returned to the	lished its first hullish note on the stock for more than a year. In a note to investors, Pan-	Total Falls 531 Same 1706	Total Lows 28	Purs	44,385 21,670 22,715
banks sector yesterday, with	mure highlighted the attrac-	Oct. 17 'Date based on Eq	uity shares listed on the Lond	ton Share Service.	

586.7

note on the sector. However, BZW analysts

denied they had published such a note, while others pointed to concerns about increasing competition in beer prices for the retreat. Scottish & Newcastle fell 15 to 591p. making it the worst performer in the FT-SE 100. Also lower was Bass, off 9 at 664p. BZW said it continues to favour the stock because of the favourable performance in the pub retailing division and the Holiday Inns chain. Whitbread was another victim of the early BZW rumours, which left its shares 7 lighter at 629p.

Enterprise Oil, the exploration and production company, shed 8 to 34Sp as Panmure Gordon issued a big review of the sector and argued that much of the expectation over oil finds was already in the share price. Aran Energy gained 3 to 78%p as Statoil emerged as a counter-bidder with an offer of 77.7p a sbare for the group. The offer trumps the 69.4p bid by Atlantic Richfield, which

said late yesterday it would not increase its offer. Oil major BP rose 7 to 476p ahead of a positive note from

US brokerage Morgan Stanley. Electronics group Racal picked up slightly towards the close in response to news that it has been shortlisted for the armed forces telecom contract. It is in competition with BT and the contract could be worth film to the company over the next 10 years. The shares ended 6 off at 250p.

Eurotherm, the electronic components group, gained 10 to 540p, after Henderson Crosthwaite hosted a dinner at the Savoy for the company and institutional investors.

Microvitec, the computing services group, jumped 91/2 to 52p after announcing a £20m deal with Amiga Technologies. Zeneca was strong in early trade, helped by news that the US authorities were approving one of its products.

The US Food and Drug Administration bas recommended for approval Arimidex, a new treatment for post-menopausal women with sdvanced breast cancer.

The company is also one of several scheduled to give a presentation to European and overseas fund managers at a conference starting tomorrow.

Panmure Gordon is hosting a two-day investment seminar with presentations from companies including Argyll, Reuters, Pearson and Scottish Zeneca shares, up 15 at one

stage, closed a net 3 higher at Exhibitions organiser Blen-

heim added 4 at 258p. Panmure Gordon bosted a lunch for institutional investors. Multimedia publisher Dorl-

ing Kindersley was also said to have benefited from an investor presentation. The shares rose 20 to 524p. W.H. Smith fell 5 to 356p as

dealers suggested that there may be negative news at today's annual meeting.

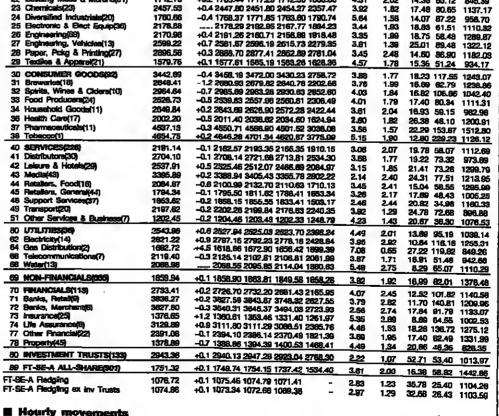
TRADING VOLUME MARKET REPORTERS: Peter John,

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FT GOLD	MINI	es II	NDE	X				
	Oct 18	% chy on day	Oct 13	Yest .	Gress div yield %	P/E ratio	52 v High	Low Low
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Ainca (16) Australasia (5) North America (12)	2577.27 2340.30 1627.44	-2.6 -0.9 -1.4	2544 73 2351.15 1651.08		4.21 2.15 0.83	23.72 25.88 46.69	3711.87 2951.49 1831.00	1788.20

FT - SE Actuaries Share Indices Day's Year Oct 17 chge*6 Oct 19 Oct 18 Oct 12 ago ylekt% ratio ytd Fletum 3562.2 +0.1 3557.3 3568.0 3523.8 3085.3 3938.8 -0.1 3839.0 3945.3 3936.4 3532.3 2.07 15.24 125.35 1412.95 1.85 19.48 117.81 1532.04 FT-SE 100 FT-SE Mid 250 FT-SE Mid 250 ex by Trusts 3.96 3.47 1.61 - 18.19 123.31 1539.99 2.03 16.02 60.30 1437.19 1.63 13.96 75.96 1187.91 2.39 18.88 43.33 1208.14 1.67 22.70 53.11 1580.90 3.60 3.85 4.90 2.77 3957.5 -0.1 3960.2 3966.1 3960.2 3526.1 +0.1 1764.8 1770.9 1753.2 1547.9 +0.1 1762.5 1785.9 1787.8 1508.1 FT-SE-A 350 FT-SE-A 350 Higher Yield FT-SE-A 350 Lower Yield FT-SE SmallCap FT-SE SmallCap ex Inv Trusts FT-SE-A ALL-SHARE 3.30 3.52 3.81 ___ 1964.12 1964.73 1960.69 1797.34 --- 1949.37 1949.80 1947.03 1765.46 +0.1 1749.74 1754.15 1737.42 1534.40 1.74 20.38 55.79 1577.04 2.00 16.38 58.62 1442.86 1949 61 1751.32 ■ FT-SE Actuaries All-Share Day's Year Dtv. Net P/E Xd adj. Total Oct 17 chge% Oct 12 Oct 13 Oct 12 ago yield% cover adio ytd Return 10 MINERAL EXTRACTION(28) +0.5 2921.72 2922.78 2908.40 2718.88 3.84 2.09 15.60 105.02 1230.77 -0.1 4168.84 4187.83 4173.66 3974.92 3.55 2.51 14.01 143.77 1194.25 2936.59 14.01 143.77 1194.25 4.02 2.04 15.24 107.92 1251.63 2.58 1.48 32.65 49.88 1155.03 15 Oil, Integrated(3) 16 Oil Exploration & Prod(13) +0.8 2694,04 2884,26 2882,80 2668,58 -1.0 1985,26 1952,54 1915,80 1886,43 1.83 16.34 70.36 1052.40 1.87 15.06 38.55 751.72 2.02 14.38 65.12 846.39 1.82 17.48 80.65 1137.17 1.58 14.07 87.22 958.70 1.93 18.83 61.51 1110.32 1.89 18.75 58.48 1289.87 1.39 25.01 89.48 1322.12 2.48 14.50 88.90 1182.03 1.78 15.36 51.24 934.17 4,17 20 GEN INDUSTRIAL S(278) 1972.09 +0.1 1989.65 1973.98 1967.63 1884.55 -0.1 917.10 919.44 915.52 1057.48 +0.2 1709.44 1717.29 1712.30 1838.36 21 Building & Construction(38) 22 Building Matts & Merchs(31) 4.31 3.92 23 Chemicals(23) +0.4 2447.80 2451.80 2454.27 2357.47 24 Diversified Industrials(20) 25 Electronic & Bect Equip(36) -0.4 1768.37 1771.85 1763.60 1790.74 -... 2178.29 2192.95 2167.77 1894.23 +0.4 2191.26 2160.71 2156.89 1918.48 1760.56 2178.88 2170.98 5.64 3.44 3.35 3.61 26 Engineering(69) 27 Engineering, Vehicles(13) 28 Paper, Pokg & Printing(27) 28 Textiles & Apparel(21) +0.7 2581.87 2596.19 2615.73 2279.85 3.45 4.57 2896.58 +0.3 2888.70 2877.41 2862.89 2781.04 1579.76 +0.1 1577.61 1585.19 1583.26 1628.36 30 CONSUMER GOODS(92) 31 Brewerles(18) 32 Spirits, Wines & Ciders(10) -0.4 3458.19 3472.00 3430.23 2758.72 -1.2 2680.93 2679.82 2640.76 2202.66 1.77 1.99 1.84 1.79 2.04 18.23 117.55 1243.07 16.69 62.79 1238.86 16.82 106.86 1042.40 17.40 80.34 1111.31 16.93 59.15 982.98 2964.64 -0.7 2985.69 2983.28 2930.63 2852.60 33 Food Producers(24) 34 Household Goods(11) -0.5 2539.63 2557.98 2560.81 2308.49 2840 R4 +0.2 2643.69 2626.90 2572.28 2422.44 -0.5 2011.40 2038.62 2034.60 1624.94 36 Health Care(17)



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KYMMENE

NOTICE OF EXTRAORDINARY SHAREHOLDERS' MEETING

The shareholders of Kymmene Corporation are invited to attend the Extraordinary Shareholders' Meeting to be held on Wednesday, November 1, 1995 at 5.00 p.m. In the Chamber Music Hall of Finlandia Hall, address Karamzinin-katu 4, Helsinki.

The meeting will consider the proposal by the Board of Directors for the merger agreement between Kymmene Corporation and Repola Ltd., as web as the following matters related thereto:

 Approval of the proposal for the merger agreement
 The Boards of Directors of Kymmene Corporation and Repola Ltd. have
 on September 11, 1995 approved a merger agreement, whereby the two companies will be merged ioto a new company to be founded under the name UPM-Kymmene Corporation, into which their assets and liabilities will be transferred against the shares of the new Corporation I combina-

tion merger* 1. The merger agreement contains a proposal for the Articles of Association of UPM-Kymmene Corporation.

The shareholders of Kymmene Corporation and Repola Ltd. will become shareholders of UPM-Kymmene Corporation upon the entry into force of the merger in the following manner:
a) The shareholders of Kymmene Corporation will receive against ever

five (5) shares of Kymmene Corporation, with a par value of twenty (20) Finnmarks each, seven (7) shares of UPM-Kymmene Corporation, with a par value of ten 110; Finnmarks each, and The shareholders of Repola Ltd. will receive against every one [1] share of Repola Ltd., with a par value of ten (10) Finnmarks each, one [1] share of UPM-Kymmene Corporation, with a par value of ten (10) Finnmarks

The merger compensation will be effected to the shareholders in the book-

entry system in such a manner that the shares of Kymmene Corporation and Repola Ltd., registered on the book-entry account of each shareholder on the registration date of the court approval of the merger, are converted into the shares of UPM-Kymmene Corporation in accordance with the above stated conversion rates.

Those shareholders of Kymmene Corporation, whose shareholdings exceed a number divisible by five on the effective date of the merger, shall receive as merger compensation for the excess shares an amount equivalent in the mean price of the share on the Helsinki Stock Exchange weight

ent in the mean price of the share on the Helsinki Stock Exchange weighted by the amount traded during the period October 1, 1995 - March 31, 1996. The Board of Directors of Kymmene Corporation will notify the shareholders of the share price calculated in the above manner no less than paye usually help and the affective during the shareholders. than two weeks before the effective date of the merger.

Share capital of UPM-Kymmene Corporation
The share capital of UPM-Kymmene Corporation will be 2,673,744,930
Finamarks in case all the shares are converted at the rates mentioned

anove.

The final amount of the share capital of UPM-Kymmene will depend on several factors: how many shareholders of Kymmene Corporation and Repola Ltd. request the redemption of their shares due to the approval of Repois Ltd. request the redemption of their shares due to the approval of the merger agreement; to what extent the bonds of the convertible bond loans issued by Kymmene and Repola are converted into the company's shares; how many shares of Repola Ltd. are subscribed based on the equity warrants issued in connection with Repola's warrant bond loan; the number of shares exceeding that divisible by five at the moment of conversion; and the number of shares held by each merging company in the other merging company. and the number of shares held by each merging company in the other merging company. The last mentioned shares will not be converted into the shares of UPM-Kymmene Corporation.

Due to the merger, the bond holders of the convertible bond loan rotalling FIM 750,000,000, issued by Kymmene Corporation on November 11, 1993, are entitled to convert their bonds into shares also during November 30. 1995, in exception to the terms of the loan.

In accordance with the terms of the loan, shares obtained through conversion of the bonds before the effective date of the merger entitle the holders

to dividend for the fiscal period during which the conversion is made. In exception to the terms of the bond loan, the other rights of the shareholders will begin on the date when the bonds are transferred to the Corporation for the purpose of conversion into shares.

Those bond holders who have converted their bonds into shares before the

effective date of the merger will be entitled to the merger compensation based on the shares obtained through the conversion.

As regards the convertible bonds which have not been converted into the shares of Kymmene Corporation before the effective date of the merger shares of Kymmene Corporation before the effective date of the merger agreement, the principal and interest of the convertible bond loan will be transferred to the liabilities of UPM-Kymmene Corporation at the moment of the merger. After the effective date of the merger, the bonds can be converted into the shares of UPM-Kymmene Corporation in such a manner that against each bond with a par value of FIM 10,000 the holder will receive 102.70 shares of UPM-Kymmene Corporation, with a par value of ten 1101 Finnmarks each. The calculated conversion price per share will be 97.37 Finnmarks. In accordance with the terms of the loan, the share fractions eventually created in the bond conversion will be paid out in eash. The conversion period of the bonds will start on the effective date of the merger and end on November 11, 2043, unless the loan period is extended merger and end on November 11, 2043, unless the loan period is extended in accordance with points 6 and/or 7 of the terms of the loan, in which case the conversion period will end one week before the maturity of the loan. The annual conversion period is January 2 - October 31 in accordance with the terms of the loan.

Resolution on the remuneration of the Members of the Board of Directors and Auditors of UPM-Kymmene Corporation

3. Election of Members of the Board of Directors for UPM-Kymmene Corporation
The total number of members to be elected to the Board of Directors of

UPM-Kymmene Corporation will be mine 19) members. The term of office of the Member starts at the closing of the Shareholders' Meeting in which the election is made and ends at the closing of the third Annual General Meeting of Shareholders beld after the election; however, one third 1 1/3) of the Board Members will be due to retire by rotation

annuary.

It is proposed to the Extraordinary Shareholders' Meeting to elect the following persons to the Board: Mr. Casimir Ehrnrooth, Mr. L.J. Jouhki, Mr. Jouko K. Leskinen, Mr. Tauno Matomaki, Mr. Yrjö Niskanen, Mr. Jukka Rantala, Mr. Jorma Routti, Mr. Gustaf Serlachius, and Mr. Vesa

 Election of Auditors for UPM-Kymmene Corporation
 The Meeting will elect two 12) Auditors and two 12) Deputy Auditors for
 UPM-Kymmene Corporation. In the merger agreement it is proposed to
 elect Mr. Eric Haglund, B.Sc. (Econ.), Authorized Public Accountant, and
 Mr. Tauno Haataja, M.Sc. (Econ.), Authorized Public Accountant, as Anditors of the company, and the audit companies KMPG Wideri Oy Ab and Salmi, Virkkunen & Helenius Oy, both Authorized Public Accountants,

The merger agreement and the proposal for the Articles of Association of IPM-Kymmene Corporation, as well as other documents stipulated by Chapter 14, Article 1. Clause 3 of the Companies Act are available for inspection by the shareholders at the Head Office of Kymmene Corporation, address Mikonkaru 15 A, FIN-00100 Helsinki, as of Monday, October 23, 1995. From this date onwards the shareholders are entitled to request copie of the said documents. The merger prospectus will be available as of Octo-ber 23, 1995, to selected offices of Merita Bank Ltd.

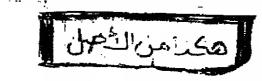
All shareholders who have been entered into the shareholders' register of Kymmene Corporation in accordance with the Companies Act (Chapter 3a, Article 11) no later than ten days before the Extraordinary Shareholders' i.e. on October 20, 1995 at the latest, or who are otherwise entitled to attend according to the Companies Act (Chapter 3a, Article 4, Clause 2), have the right to participate in the Shareholders' Meeting.

Shareholders who intend to attend the Shareholders' Meeting should give notice of their attendance in writing to the Corporation's Head Office, Mikor katu 15 A. FIN-00100 Helsinki (P.O. Box 1079, FIN-00101 Helsinki, Finland), or by relephone to number +358 0 1314 1283, no later than 12 noon on Monday, October 30, 1995. Notifications made by post must arrive at the Head Office by the appointed date. Possible proxies should accompany the

Helsinki, September 21, 1995

Board of Directors

This announcement, which is the sole responsibility of Kymmene Corporation has been approved by Lazard Brothers & Co., Limited, member of The Securities and Putures Authority Limited, solely for the purposes of section 57 of the Financial Services Act 1986. It does not constitute an offer or invitation to purchase



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المحالمة الأعل

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4 pm close October 17 NYSE COMPOSITE PRICES NASDAQ NATIONAL MARKET 4 per close October 17 | The State | The | Data | Dr. 6 | 120a | 130b | Law | Last Ching | Chairce Chin | 0.68 | 15 | 45 | 17½ | 16 | 16 | -1 | Chairceann | 12715495 | 41½ | 37½ | 40½ | +2½ | Chairceann | 12715495 | 41½ | 37½ | 40½ | +2½ | Chairceann | 30 | 8722 | 21 | 20 | 21 | +½ | Chairceann | 21 | 532 | 28½ | 28 | 25 | ½ | Chairceann | 21 | 532 | 28½ | 28 | 25 | ½ | 1.20 11 26 44 45¹2 45¹2 -¹4 0.20 82 21 8¹2 6 8¹8 +¹5 17 87 20¹2 18¹4 18¹2 | K Swiss | 0.06 8 24 12\(^1_1\) 11\(^1_2\) 11\(^1_3\) 12\(^1_3\) 12\(^1_3\) 22\(^1_3\) 22\(^1_3\) 22\(^1_3\) 23\(^1_3\) 13\(^1_3\) Di Tech 17 67 20\(^12\) 18\(^14\) 19\(^12\) 18\(^14\) 19\(^12\) 18\(^14\) 19\(^12\) 18\(^14\) 19 | Reinbow | 17 | 168 | 197₆ | 195₆ | 197₆ - R --5-- M -You'ry highs and love for 19755 relact for peace from Jan 1 1995, Union, character street, mass of deplace one ormes debuggements bound on the intest declaration. Sales figures and sections. - T -| Surrant | Surr 35° 50° 1 Uniform
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FT-SE Actuaries Share Indices

Davidson at Morgan Stanley said that he did not think that

interest rate cuts would he

the market in the three to six-

month time span". At Capel

the French equity team com-mented that with no change

discernible in domestic mone-

tary policy and a likelihood

undersboot the other European

countries, further downgrades

in corporate earnings were to

Thomson-CSF moved against

the trend with a rise of 40 cen-

times to FFr99.90 as the gov-

ernment announced that it

could be privatised by the

spring of next year. Générale des Eaux. off FFr1.70 at FFr424.30, said that

its joint venture with Thames

Water, of the UK, was the

favoured bidder for a water

supply and purification service

MILAN settled lower still as

political nervousness contin-

ued to take its toll ahead of

today's no confidence debate

on the justice minister. The

Mibtel index fell 100 to 9,238 in

in south Australia.

be expected.

economic growth would

large or fast enough to help

Oct 16

Hourly changes

Technology sector up after mixed news

in gross margins to boost earn-

The weakness in IBM was

one factor sending the Dow

down 6.86 to 4,777.52 by 1 pm.

583.03, while the American

Stock Exchange composite was

1.01 lower at 535.78. Volume on

the New York SE came to 200m

Also hurting the Dow were

declines in US Treasury prices.

In early afternoon trading the

benchmark 30-year Treasury

was off more than half a point

Several companies in the

Dow were hit buy a round of

profit-taking after reporting stronger than expected earn-

ings. Caterpillar, which was up

more than \$3 since last

Wednesday, slipped \$1 yester-

day to \$54% after reporting

profits of \$1.07 per share,

exceeding estimates by 2 cents.

climbed nearly \$10 since the

start of September, gave back

\$ at \$84% after reporting

earnings of \$1.71 a share, 3

cents a share ahead of esti-

The Dow did get some support from Eastman Kodak. which climbed \$2% to \$59%

after reporting earnings per

Toronto, trading sideways on Quebec referendum uncer-

share of 99 cents.

Canada

C\$14 to C\$281 a.

mittee vote on the govern-

ment's administrative reform

proposals. The Boyespa index

gained 325 at 45.821 in light

turnover of R\$157.5m (\$164.4m).

results, dne to be released

The overall index rose 11.6

to 5,816.4, the industrials

index climbed 54.9 to 7,426.4

Individual features included

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are of California Section in provincial under the Indices are of Actuaries. Nativest Securities Ltd. was a confounder of the Indices.

and golds fell 36.2 to 1,382.9.

De Beers and SAB, both up 50

cents to R102.75 and R116.50

later this week.

173.58

135.47 267.37 236.94 161.35 150.54

Mexico City off 1%

South Africa pulls both ways

Philip Morris, which had

as investors took profits follow-

ing last week's rally.

Meanwhile, the Standard &

ings in the fourth quarter.

Wall Street

US shares were mostly flat in early trading yesterday, but technology issues gained ground on strong earnings reports from Intel and Sun Microsystems, writes Liso Bransten in New York.

Sun Microsystems, the network computers group, was up nearly 12 per cent or \$7 at \$65% after reporting late on Monday that first-quarter earnings had advanced strongly and in excess of analysts' estimates. Also beating analysts' esti-

mates was Intel, the second largest company on the Nasdaq composite. In early trading Intel had appreciated \$% to \$64 after reporting a four-fold increase in revenues for the

Those gains added to the bullish sentiment among tech-nology shares, helping the Nas-

Share price and Index (rebased)



daq composite, wblcb is weighted towards that sector, rise 4.24 to 1.022.37. The Pacific Stock Exchange technology index was 1 per cent higher.

But not all the news was positive in this sector. Both IBM and Compaq Computer posted weaker than expected thirdquarter results. IBM reported earnings per share of \$2.30, 12 cents below the mean estimate, and the shares slipped \$1 to

Compag missed estimates by I cent with earnings of 89 cents a share, but its stock climbed \$1% to \$49% after the company said it expected improvement

Mexico City was down 1 per

cent by midsession in expecta-

tion of a rise in domestic inter-

est rates. The IPC index was

Analysts said that they

expected rates on T-bills, or

cetes, to rise by between 2

and 3 percentage points during

the weekly auction later in the

lusacell, a telecommunica-

tions group, rose 3.2 per cent

on news that it had won a con-

cession from the government

to operate a long-distance tele-

Industrials continued to find

strength and the sector index

recorded its fourth consecutive

record close. In contrast the

gold shares index tumbled to a

four-month low. One dealer

said that industrials were

being driven higher by techni-

cal trading in the derivatives

the session on a lower bullion

price and expectations of

NATIONAL AND REGIONAL MARKETS

Australia (82

Austria (27) Beiglum (35) Brazil (28)....

Canada (100)

Hong Kong (55) Ireland (16)

orse than expected quarterly

FT/S&P ACTUARIES WORLD INDICES

.250.11

session.

off 28.32 at 2,296.97 by noon.

Bourses depressed by dollar and bond markets

The dollar weakened in New York, taking European bonds and equities with it. While FRANKFURT had tried hard to re-establish itself above the 2,200 level, it lost its buoyancy in the afternoon. The Dax index, after an intra-day peak of 2,207.48, closed 8.33 lower at 2.185.52.

Turnover increased from DM4.8bn to DM5.5bn. Blus chips mainly drifted lower towards the end, but the utilities sector, regarded as a defensive play, continued its run of Poor's 500 was unchanged at relative strength, with Viag up DM4.90 at DM570. Among second liners, Deut-

sche Bahcock, recently dropped from the Dax 30, climbed DM3.40 to DM147.10 after it announced an east German order for two coal-fired power plants worth DM1.2bn. Linotype, which plunged more than 15 per cent on Monday. rebounded sbarply in early floor trade, only to drop again on consideration of a loss forecast for the second half of this year, and job cuts for 1996. The shares fell DM6 more to DM163

PARIS caught currency worries once more and the CAC-40 index drifted down 10.75 to 1.779.74.

after a high of DM191 on the

James Capel and Morgan Stanley both came out with gloomy forecasts for the French equity market yesterday, downgrading their investment recommendations to underweight. Mr Richard

1377.54 1493.62 1395.12 1508.53 turnover estimated at L825bn. Gemina fell L35 to L636 as investors waited for news from an RCS Editori board meeting. which was expected after the close. RCS was expected to announce a capital increase, underwritten by Gemina, to

Oct 11

Open 11.30 12.00 12.30 13.00 14.00 15.00 Clase

Oct 12

1405.03

FT-SE Eurobrack 100 1411.57 1411.08 1409.95 1410.25 1410.55 1408.97 1407.53 1406.73 FT-SE Eurobrack 200 1530.10 1529.59 1528.01 1528.84 1529.01 1527.32 1525.20 1525.02

Oct 13

THE EUROPEAN SERIES

Oct 10

Among companies involved in the planned merger of Gemina with Ferruzzi Finanziaria, Ferruzzi dropped L4S to L859, Montedison L21 to L1,000 and Snia L62 to L1,440. Mediobanca lost L137 to L11,080 as dealers noted two

large block trades in the company, late in the session, which totalled 1.3 per cent of the bank's capital. AMSTERDAM remained under pressure, adding to the

decline posted at the start of the week, and the AEX index closed 2.58 lower at 456.57. Philips felt the chill wind of

IBM and settled back 70 cents to F1 70.50. But there was some upside with Boskalis, the world's largest dredging group, adding 40 cents or 2 per cent at Fl 20.00 on its takeover of a specialised construction com-

Dealers also speculated that

ness of Thorn EML of the UK,

the market for some time.

rumour which had been in

pany. Elsewhere in the construction sector, NBM Amstelland gathered 50 cents or 2.4 per cent to Fl 21.40 after it said that it was negotiating to

run at a fifth consecutive high for the year but, having peaked at an intra-day 3,1345, the SMI index came back late in the day and closed 4.0 lower at 3,112.3. Sandoz rose SFr7 to SFr931 ahead of nine-month sales figures due next week.

news that third-quarter sales of Astra's Losec gastric ulcer drug had fallen below market expectations. Astra A dropped SKr7 to SKr249, Pharmacia A followed with a fall of SKr3 to SKr219, and while majors like Ericcson and Volvo were relatively flat, the Affärsvärlden General index sbed 9.1 to 1,792.0. HELSINKI eased ahead of Nokia's eight-month results due tomorrow, but it was a little less sensitive than it bad been to Nokia A, which fell FM6 or more than 2 per cent to FM284. The Hex index ended just 9.98 lower at 2,082.99.

VIENNA reacted further to the collapse of the coalition government, and to Monday's explosion of two letter bombs. The ATX index dropped another 26.51 or 2.9 per cent to 901.71 after an intra-day low of 895.79. Creditanstalt, whose privatisation was halted as a result of the political situation. fell Sch31 to Sch482. ISTANBUL moved modestly

EUROPEAN EQUITIES TURNOVER Monthly total in local currencies (bn). June 1995 acquire a trading company. ZURICH made a determined 78.92 28.00 15.68 14.23 160.37 204.65

STOCKHOLM was upset by

70.60 3.05 4:42 6.93 36.34 112.16 28.35 19:16 4:48 7.02 19:19 27.30 14.60 17.30 141.91 138.98 45,191 164,81 48,024 45 841 37.80 31.50 33.41 30.80 28.95 933.74 1.111.19 123.84 137.20 29.56 38.68 27.08 55.31

Volumes represent purchases and sales. Italian data adjusted to include off-market trading. Some figures may be re September proved that sheer volatility can be very good-for

equity husiness; yet Belgium, the best performer in the top 12 European markets, managed to record a 30.6 per cent increase in turnover as its share price index rose by just 0.1 per cent. Pari of the Belgian story, says Mr Geoffrey Taylor of Dillon Read, is that September was the height of the corporate reporting season; and, in addition, the month saw a lot of derivatives driven dealing. Meanwhile, France ran its neighbour close with a 20,8 per cent turnover gain as its share prices dropped a steep 4.4 per cent. Mr James Cornish, European strategist at NatWest Securities which produces the figures, notes that French turnover on London's screen-based dealing service, Seaq International reby only 18.9 per cent, suggesting that the main selling pressection in French stocks was a domestic response to the plummeting credibility of the government. In contrast, a 24.1 per cent expansion in Swiss turnover was founded on a share price rise of 3-iecent after a 2.2 per cent gain in August; and Swiss stocks turned over an extra 25.5 per cent on Seaq International - suggesting says Mr Cornish, a return of international buving.

higher following Monday's entbusiasm on news that a new coalition government was index added 261.60 at 47,557.65 as turnover reached a record high of TL23,600bn.

Brus

pair

ASIA PACIFIC

Nikkei dips below 18,000 level on profit-taking

tainty, was pulled lower hy Tokyo weakness in golds. The sector index was 115.34 lower at Speculative trading dominated 9,887.14 by 1 pm local time. activity, but the Nikkei aver-Comex gold was off 40 cents at age closed lower on profit-\$385.70 an ounce, probing the taking by domestic institutions and futures linked selling. lower end of its range. The TSE 300 composite index writes Emiko Terazono in

eased 6.55 to 4,496.80. There The 225-share index dipped was good and bad news from Falconbridge, which reported 99.84 to 17,916.60 - returning below the 18.000 level which it exploration results at its Raglan nickel-copper project in bad regained on Monday northern Quebec which anaafter trading between 17,840.97 and 18,071.34, mainly on technilysts described as exceptional, but which also said that its cal activity. integrated Sudbury division nickel mines and smelter oper-

Volume was 311m sbares, against 274m. The Topix index of all first section stocks edged ated below capacity in the third quarter. The shares eased up 0.33 to 1,431.61 and the Nikkel 300 lost 0.2 to 268.11. Advances marginally outnumbered declines by 497 to 487, with 183 issues unchanged. In London the ISE/Nikkel 50 index eased 0.01 to 1,217.02.

phone service from 1997. Tel-Shares gained ground in mex responded to this news early trading on huying by corwith a fall of 0.8 per cent. porate investors, but a decline Early declines included one in the futures market in Chiof 5 per cent from Nadro, the retailer, while the financial cago on Monday prompted arbitrage-linked selling. Traders expected tight ranged tradgroup GF Norte retreated 2.6 ing in the near term, as profit-SAO PAULO was firmer at taking by domestic institutions seemed to bave emerged midday on positive expectations over a congressional comaround the 18,000 level.

Although many investors had braced themselves for further damaging news for Japanese banks from the US banking committee's hearing on the Japanese financial system on Monday, it had failed to produce any surprises. Banking stocks were mixed although trust banks, which have exposure to the ailing jusen, or housing loan companies, were weaker.

Dai-Ichi Kangyo Bank fell Y20 to Y1,800 and Mitsubishi Trust and Banking lost Y10 to Y1.490. However, Bank of Tokyo rose Y20 to Y1,540 and Mitsuhishi Bank added Y10 at Y2,050.

respectively. Among golds, Freegold shed R1.50 to R38, Kyokuyo, a fishing company, Dries fell R1.25 to R44.25, Vaal was the most active issue of Reefs tumbled R4.50 to R219 the day on speculative trading and Joel lost 15 cents at R3.45. by individual investors and

CRA moved forward 40 cents to A\$20.10, recovering, said brokers, from an oversold position after last week's news of a merger with RTZ. News Corp fell 14 cents to

> an announcement which, said the market, would include a proposal to merge Australis with Fostel, in which News Corp holds a 50 per cent stake. News Corp might be planning a takeover of the music busi-

Late afternoon buy orders from overseas institutions helped HONG KONG shrug off a 63point intraday loss, and the Hang Seng index gained a further 23.65 to finish at 10,032.93. to HK\$1.44bn. Selected banks and property companies were the target of the late buying.

China's improving inflation

picture also encouraged buying

the H share index moved up 12.51 or 1.4 per cent to 906.01. KUALA LUMPUR fell across the board, led by selling in automotive and property shares following the move by the central bank to tighten credit on car and house loans

or 1.2 per cent to 945.86. Brokers commented that while the credit squeeze was positive for the economy in the long term, stocks in these sectors would be pressured by

Y29 to Y587 on profit-taking. Shipping stocks, which bad

rallied on the dollar's rise because the companies are remunerated in the US currency, fell on profit-taking. The A\$6.91, while Australis shares remained suspended ahead of sector shed 2.1 per cent. Mitsui OSK losing Y6 to Y267.

In Osaka, the OSE average fell 49.63 to 19,405.50 in volume of 19.9m shares. High-technology Issues were lower, with Murata Mfg, the machine tools company, off Y100 at Y3,590 on profit-taking.

Roundup

of mainland China stocks, and The composite index shed 11.51

lower earnings prospects.
The government's announce

ment that further credit tightening measures were likely in the budget dne on October 27, and Bank Negara's intervention to push up interest rates in the money market, also weighed on sentiment.

SYDNEY ended slightly lower in line with Wall Street's overnight decline. The All Ordinaries index lost 1.5 to 2,108.5. Volume was 176.05m shares worth A\$427.55m.

tional investors sought out the

electronics and financial sectors. The welghted index closed with a gain of 42.02 or 0.8 per cent at 5,081.00. Turn-The electronics sector rose by 1.5 per cent, with United credit curbs. The UOB OTC Micro advancing T\$2 to index fell 11.15 or 1.1 per cent

T872.50. Financials ended 1 per cent up as a group. JAKARTA reported late buying in Astra, which closed Rp200 higher at Rp3,175 on

over was thin at T\$23.4bn.

reports that the company planned to build a new manufacturing plant.

The JKSE composite index an auction for controlling

SINGAPORE's Straits Times Iron and Steel. BANGKOK sold the finance Industrial index eased 12.42 to 2,099.38. Malaysian sbares sector and the SET index traded over the counter suffered from expectations that the budget to be announced on October 27 might contain

SEOUL's composite index finished 1.60 softer at 1,005.88. However, Keo Pyung went the day's limit up in afternoon trade, closing Won1,200 higher at Won21,200 on the announce-

ment that its affiliates had won

ended 7.13 lower at 1,309.91 Siam City Credit declined Bis to Bt134, although it dismissed as rumour a newspaper report that a major borrower had gone missing. KARACHI recovered part of Monday's 3 per cent drop on

short-covering in speculative stocks, but sentiment remain weak ahead of today's planted general strike by the MQM in Sindh province. The KSE 100-share Index

gained 5.26 at 1.518.08.

- :

22-12.

Areas Basis

118.118

104-

OF COURSE INVESTMENT BANK WITH KEEN BRAINS TO COME UP WHEREITS ADVICE IS

INVESTMENT BANKING.





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